



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)

Annual Report 2018



**Enhancing
Everyday Living**

About CK Life Sciences

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



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Chairman's Statement





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

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

Agriculture-related Business

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

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

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

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

Chairman's Statement (Cont'd)

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

Nutraceutical Business

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

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

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

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

Pharmaceutical Research and Development

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

1) *Polynoma LLC*

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

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

2) *WEX Pharmaceuticals Inc.*

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

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

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

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

Prospects

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

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

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

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

Victor T K Li

Chairman

Hong Kong, 19 March 2019





Business Review

Agriculture-related Business

Vineyards

CK Life Sciences owns around 7,000 hectares of vineyards and other agricultural properties in Australia and New Zealand. All of them are on long-term leases with wine companies or growers, generating steady and secure cashflows. The Company has two vineyard portfolios:

Belvino Portfolio

The Company owns 72.3% of the Belvino Investments Trust portfolio, which includes 10 vineyards and irrigation water entitlements, covering around 3,000 hectares of land in Australasia. Three of the 10 vineyards are located in New Zealand with the remainder situated in Barossa Valley, Padthaway, Riverland and Riverina regions of Australia.

During the year, CK Life Sciences took over management of the Belvino properties and entered into an agreement with the minority shareholder to acquire the 27.7% of the portfolio it does not already own. The transaction is subject to approval by the Foreign Investment Review Board (FIRB) in Australia and the Overseas Investment Office (OIO) in New Zealand. FIRB approval has been obtained; OIO approval is pending.

Other Vineyards

CK Life Sciences has another portfolio which features the Company's 18 wholly owned vineyards located in South Australia, New South Wales, Victoria, Western Australia and the South Island of New Zealand.

During the year, CK Life Sciences acquired Nangiloc Colignan Farms ("Nangiloc Farms") with irrigation water entitlements for a purchase price of A\$50 million (approximately HK\$283 million). Covering an area of around 700 hectares in Victoria, the Nangiloc Farms is one of the largest grape and citrus farms in Australia. Its produce, such as premium table grapes and citrus, are for domestic markets in the Sunraysia region of Australia as well as for export. A tenancy agreement was simultaneously executed together with the acquisition, generating stable and recurrent cashflow.

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



CK Life Sciences acquired Nangiloc Colignan Farms with irrigation water entitlements in 2018. It is one of the largest grape and citrus farms in Australia.



All of the vineyards owned by CK Life Sciences are on long-term leases with wine companies or growers, generating steady and secure cashflows.

Business Review (Cont'd)



Accensi recorded satisfactory sales in the face of strong pricing competition in the market.

Australian Agribusiness

Australian Agribusiness (Holdings) Pty Ltd (“Australian Agribusiness”) is involved in five main agriculture-related areas of operation in Australia, providing manufacturing services to brand owners and marketers of plant protection products, and serving the home garden, professional turf, pest management and specialty agriculture markets.

Plant Protection Products Manufacturing

Australian Agribusiness, through its subsidiary Accensi Pty Ltd (“Accensi”), is Australia’s foremost agrichemical formulator. It formulates and manufactures a wide range of products for both domestic and multinational agrichemical companies. Additional services provided by Accensi include regulatory, global procurement, storage and handling, laboratory and product development.

With facilities located in Victoria in the south, Queensland in the north east, and Western Australia in the west, Accensi is the only crop protection toll manufacturer with a national footprint covering a large proportion of Australia’s agricultural production regions.

Ongoing drought conditions in many parts of Australia continued to present challenges in market demand. Accensi recorded satisfactory sales in the face of strong pricing competition in the market. In addition to updating processes and systems to match the stringent requirements of global suppliers of crop protection chemicals, it successfully developed and registered several new formulations with strong agronomic and economic benefits to farmers. It also took the opportunity to accelerate synergies among group companies and efficiency improvement.



Australian Agribusiness serves a number of agriculture-related market segments through its subsidiary Amgrow: (i) home garden; (ii) professional turf; (iii) pest management; and (iv) specialty agriculture.

Other Agriculture-related Services

Australian Agribusiness also serves a number of agriculture-related market segments through its subsidiary Amgrow Pty Ltd (“Amgrow”). They include: (i) home garden; (ii) professional turf; (iii) pest management; and (iv) specialty agriculture.

Amgrow gained access to a new line of branded products for the specialty agriculture market, finalised a multi-year service agreement with a key pest management customer, and established a commercial arrangement with a major contractor in the Middle East managing many turf-related projects, including the pitches for the 2022 World Cup.

During the year, Amgrow launched a number of initiatives to streamline operations, reduce costs and improve efficiency, especially in supply chain and logistics management through a national freight tendering process. In addition to exiting unprofitable segments and divesting under-performing assets, it also increased adoption of technology platforms to facilitate customer service and management, extending company-wide use of a Customer Relationship Management (CRM) system.



Cheetham Salt

In 2013, CK Life Sciences expanded into the salt industry through the acquisition of Cheetham Salt Limited ("Cheetham").

Cheetham is Australasia's largest producer and refiner of salt. With a history dating back to 1888, Cheetham has a leading market share in Australia and a significant market position in New Zealand. Its salt fields and refineries occupy about 9,300 hectares (approximately 1 billion sq. ft.) of leasehold and freehold land in Australia and New Zealand.

With a production capacity of approximately 900,000 tonnes of crude salt, Cheetham has the ability to convert up to 700,000 tonnes of crude salt into refined salt per year.

Cheetham offers salt products to a broad range of industries including the industrial, food manufacturing, stockfeed, hide and pool sectors. With an established business in Indonesia and a sales office in Japan, Cheetham is well positioned to distribute goods throughout the Asia Pacific region and beyond.

Integration of the New Zealand operations after the acquisition of the remaining 50% share of the joint venture at the end of 2017 progressed smoothly. Implementation of further supply chain innovation and cost reduction initiatives in response to the infrastructure damage in the South Island during the earthquake in late 2016 yielded positive results.

Cheetham recorded satisfactory growth during the year under review, with sales in various market segments reporting positive development. It successfully developed a new export channel into the United States for food grade salt and continued to strengthen export of salt for pharmaceutical applications into Asia and South America. Indonesia also achieved robust growth.





With a history dating back to 1888, Cheetham is Australasia's largest producer and refiner of salt.



A photograph of laboratory glassware and pills. On the left is a beaker with markings for 20, 30, 40, and 50. In the center is a graduated cylinder with markings for 10, 20, and 30. On the right is a petri dish containing several pills, including a round white one and a dark one. In the foreground, several yellowish, oval-shaped capsules are scattered on a reflective surface. The background is a soft-focus orange and red.

Business Review

Nutraceutical Business



Santé Naturelle A.G.

Founded in 1946 by renowned naturopathy expert, Mr. Adrien Gagnon, Santé Naturelle A.G. Ltée (“Santé Naturelle”) is one of the largest and most established natural health companies in Québec, Canada. Offering a range of some 140 products under the brand, *Adrien Gagnon*, Santé Naturelle is synonymous with exceptional quality and has repeatedly set the bar in Québec for its superior health products in terms of value, selection and brand recognition.

During the year, Santé Naturelle achieved a satisfactory performance through sales and marketing innovations in the fiercely competitive domestic Canadian market. New products in the womens’ health, energy and sleep and stress categories launched in the last few years reported healthy growth and contribution.

Outside Canada, Santé Naturelle exports to international markets, including Hong Kong and a number of Asian and Middle Eastern countries. Continuing expansion into new channels and markets is a focus of the team. New initiatives to gain a foothold in selected European markets and parts of the United States will come to fruition in the next few years. It also upgraded its enterprise software system and developed plans to expand in-house manufacturing, both enablers of operating efficiency improvement and cost reduction.



Santé Naturelle is one of the largest and most established natural health companies in Québec, Canada.



Offering a range of some 140 products under the *Adrien Gagnon* brand, Santé Naturelle is synonymous with exceptional quality.



Vitaquest is an industry-leading development and commercialisation partner for the nutraceutical and functional food markets.

Vitaquest

Vitaquest International Holdings LLC (“Vitaquest”) is an industry-leading development and commercialisation partner for the nutraceutical and functional food markets, offering a broad array of innovative solutions from concept and formulation to delivery system design, product registration in international markets and finished product manufacturing. Its commitment to quality has enabled it to achieve a large number of certifications through extensive and detailed audits by industry organisations.

During the period under review, sales development in Vitaquest recorded healthy growth, as it continued to take advantage of strong demand in the market for powder-based products. Effective operational initiatives such as installation of a bulk bag filler and powder handling system enabled it to reduce blending cycle and turnaround time and space usage, as well as increase throughput to accommodate the demand in a cost efficient manner.

Vitaquest also installed and began operating an effervescent powder filling line for one of its largest customers. Innovatively engineered and designed in-house and custom-built to specification, the line has enabled Vitaquest to handle growth and improve margin in this important product segment.

Business Review (Cont'd)



Lipa is one of Australia's largest contract manufacturers of complementary healthcare medicines, vitamins and nutritional supplements.

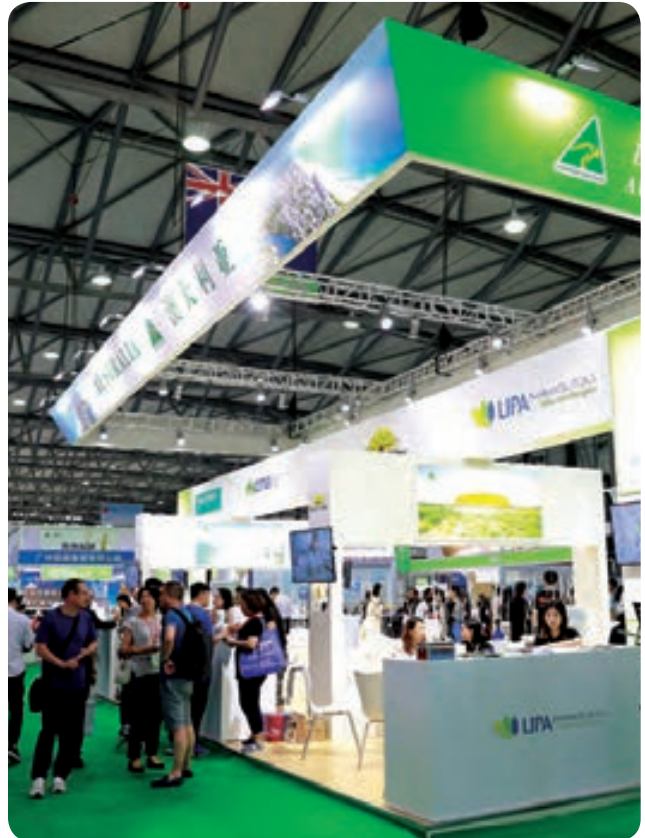
Lipa

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

Lipa's customers include many well recognised brands of nutritional supplements for sale in Australia, New Zealand and a number of selected Asian markets.

In 2018, demand among Lipa's customers for products for export into China continued the trend of recovery that started in the second half of 2017, recording strong sales growth. During the year, the company deepened vertical integration of raw material sourcing, exploring the possibility of offering this as a service to customers for whom Lipa does not manufacture products. Lipa exhibited at the Shanghai CPhi/Healthplex International Trade Show for the first time as part of the Australian Pavilion and attracted interest from a number of potential new customers.





Lipa exhibited at the Shanghai CPhI/Healthplex International Trade Show for the first time as part of the Australian Pavilion.

Work was also undertaken to implement changes in response to the introduction of a number of regulatory and compliance related changes led by the TGA (Therapeutic Goods Administration) in the Australian market.





Business Review

Pharmaceutical Research

Business Review (Cont'd)

CK Life Sciences' research and development is focused primarily on cancer and conditions arising from the treatment of cancer. Polynoma's ongoing Phase III clinical trial of its melanoma vaccine progressed well and is on schedule for an interim data analysis in 2019. WEX Pharma is actively planning to commence a Phase III clinical trial of tetrodotoxin in North America for chemotherapy-induced neuropathic pain.

Polynoma



Polynoma is an oncology-focused subsidiary of CK Life Sciences which is currently developing a therapeutic vaccine for the treatment of melanoma.

Polynoma LLC ("Polynoma") is an oncology-focused, San Diego (USA)-based subsidiary of CK Life Sciences which is currently developing a therapeutic vaccine for the treatment of melanoma. Using a combination of antigens from three proprietary melanoma cell lines, Polynoma's vaccine (seviprotimut-L) is intended to stimulate the body's immune system to fight this form of skin cancer.

In the ongoing Phase III clinical trial, seviprotimut-L is being tested for the adjuvant treatment of patients with earlier stages of melanoma (Stage II and Stage III), to delay recurrence after the melanoma has been resected. Melanoma remains an unmet medical need, as currently-approved therapies have significant toxicity.

The ongoing clinical trial is progressing smoothly in the United States and Canada, and is on target for an interim analysis in 2019.



WEX Pharmaceuticals

WEX Pharmaceuticals Inc. (“WEX Pharma”) is a Vancouver (Canada)-based subsidiary of CK Life Sciences focused on developing innovative drug products to treat pain. WEX Pharma’s lead product, Halneuron™, is based on tetrodotoxin (“TTX”), a naturally-occurring sodium channel blocking compound found primarily in puffer fish. Halneuron™ is being developed to provide relief for various chronic pain conditions, including uncontrolled moderate or severe pain in patients with cancer. This is also an unmet medical need, with currently-available pain therapies not providing adequate relief in many patients.

A Phase III clinical trial in the United States and Canada of TTX for the treatment of chemotherapy-induced neuropathic pain (“CINP”) is in advanced stages of planning, with Health Canada already confirming no objection to the clinical trial commencing.

US FDA acceptance of our Special Protocol Assessment (SPA) proposal is expected shortly. An SPA agreement facilitates discussions with the FDA on product registration, by reducing uncertainty regarding the acceptability of the proposed clinical study design and analytical methods. Once demonstrated effective for CINP, research into the use of TTX for other more common types of chronic pain can be conducted, and different ways of administering TTX can also be explored. Prospects for such pain management solutions are significant.

WEX Pharma is a subsidiary of CK Life Sciences focused on developing innovative drug products to treat pain.



Long Term Development Strategy



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

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

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

1. Facilitate Organic Growth

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

2. Continue Acquisition Efforts

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

3. Intensify Pace of Research and Commercialisation of Products

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

Financial Summary

	Year ended 31 December				
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Consolidated results summary					
Revenue	4,954,043	4,919,309	4,868,540	4,693,133	5,232,992
Profit attributable to shareholders of the Company	264,870	219,858	252,960	258,402	263,001
	As at 31 December				
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Consolidated statement of financial position summary					
Non-current assets	7,239,687	6,544,247	6,605,421	7,131,706	7,181,324
Current assets	3,000,242	2,918,519	2,880,951	3,451,958	3,257,127
Current liabilities	(1,142,482)	(2,444,571)	(4,097,012)	(2,261,929)	(1,948,089)
Non-current liabilities	(4,279,899)	(2,808,978)	(986,318)	(3,565,030)	(4,070,519)
Total net assets	4,817,548	4,209,217	4,403,042	4,756,705	4,419,843
Equity attributable to shareholders of the Company	4,605,227	4,065,031	4,261,252	4,617,043	4,263,908
Non-controlling interests of subsidiaries	212,321	144,186	141,790	139,662	155,935
Total equity	4,817,548	4,209,217	4,403,042	4,756,705	4,419,843

Financial Review

FINANCIAL RESOURCES, LIQUIDITY AND TREASURY POLICIES

In 2018, the financial and liquidity position of the Group continued to be sound and healthy. It was financed mainly from internal sources such as cash generated from business activities as well as other sources such as borrowings from banks and major shareholders.

The Group's bank and other borrowings were mainly for the acquisition of the Group's overseas businesses as well as providing general working capital. As at 31 December 2018, the bank and other borrowings amounted to HK \$4,816.2 million. All these borrowings were made on a floating interest rate basis and were granted based on some committed terms by, with or without the guarantees of, the Company. As at 31 December 2018, certain assets of the Group's overseas subsidiaries with carrying value of HK\$870.5 million were pledged as part of the security for bank borrowings totalling HK\$324.2 million. The total finance costs of the Group for the year were HK\$129.7 million.

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

The total net assets of the Group as at 31 December 2018 were HK\$4,419.8 million, representing HK\$0.46 per share. The net debt to net total capital ratio of the Group as at 31 December 2018 was approximately 47.78%, which is calculated as the Group's net borrowings over the aggregate of the Group's total equity and net borrowings. For this purpose, the Group defines net borrowings as total borrowings (including bank borrowings, finance lease obligations and other borrowings) less cash, bank balances and time deposits.

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

MATERIAL ACQUISITIONS/DISPOSALS AND SIGNIFICANT INVESTMENTS

In December 2018, the Group completed a vineyard acquisition of Nangiloc Colignan Farms in Australia with a consideration of approximately HK\$283.0 million. The transaction constitutes a discloseable transaction under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Details of the transaction were disclosed in the Company's announcement dated 15 November 2018.

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

The Group has always been investing significantly in research and development activities. Such investment amounted to about HK\$151.8 million in 2018.

CAPITAL COMMITMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2018, the total capital commitments by the Group amounted to HK\$47.0 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and equipment, and maintenance of vineyards.

INFORMATION ON EMPLOYEES

The total number of full-time employees of the Group was 1,785 as at 31 December 2018 (2017: 1,688). The total staff costs, including directors' emoluments, amounted to approximately HK\$1,012.3 million for the year under review, which represents an increase of 4% as compared to the previous year.

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

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2018 (2017: Nil).

Directors and Key Personnel

DIRECTORS' BIOGRAPHICAL INFORMATION

LI Tzar Kuoi, Victor, aged 54, has been the Chairman of the Company since 2002. He has been a member of the Remuneration Committee of the Company since March 2005 and the Chairman of the Nomination Committee of the Company since January 2019. Mr. Li is the Chairman and Group Co-Managing Director of CK Hutchison Holdings Limited, and the Chairman and Managing Director and the Chairman of the Executive Committee of CK Asset Holdings Limited. He is also the Chairman of CK Infrastructure Holdings Limited, a Non-executive Director of Power Assets Holdings Limited and HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited and Co-Chairman of Husky Energy Inc. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr. Li is the elder son of Mr. Li Ka-shing, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a nephew of Mr. Kam Hing Lam, the President and Chief Executive Officer of the Company. Mr. Li is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

KAM Hing Lam, aged 72, is the President and Chief Executive Officer of the Company responsible for overall strategic direction and key operating decisions. He has been a member of the Nomination Committee of the Company since January 2019. He has been instrumental in the formation of the Group. He has been with the Group since its establishment in December 1999 and has played a leading role in developing the Group's corporate direction and strategic vision, and in guiding the Group in pursuit of its corporate business and operational objectives. Mr. Kam is Deputy Managing Director of CK Hutchison Holdings Limited, and Deputy Managing Director and Executive Committee Member of CK Asset Holdings Limited. He is also the Group Managing Director of CK Infrastructure Holdings Limited. All the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust which is listed in Hong Kong. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company. Mr. Kam is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

IP Tak Chuen, Edmond, aged 66, is the Senior Vice President and Chief Investment Officer of the Company responsible for the investment activities of the Group. He has been a member of the Nomination Committee of the Company since January 2019. Mr. Ip joined the CK Group in 1993 and the Group in December 1999. He is Deputy Managing Director of CK Hutchison Holdings Limited, and Deputy Managing Director and Executive Committee Member of CK Asset Holdings Limited. He is also an Executive Director and Deputy Chairman of CK Infrastructure Holdings Limited. All the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust which is listed in Hong Kong. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration. Mr. Ip is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

Directors and Key Personnel (Cont'd)

YU Ying Choi, Alan Abel, aged 63, is the Vice President and Chief Operating Officer of the Company responsible for the commercial activities of the Group, including manufacturing and marketing of all product applications. He has been a member of the Nomination Committee of the Company since January 2019. He holds a Bachelor of Arts degree and a Master's degree in Business Administration. Mr. Yu has held a number of positions in multinational corporations, including Standard Chartered Bank, Dairy Farm and American Express, in Hong Kong and overseas. Prior to joining the Group in January 2000, he was a Worldwide Vice President with Johnson & Johnson.

TOH Kean Meng, Melvin, aged 52, is the Vice President and Chief Scientific Officer of the Company responsible for the technology and product development activities of the Group. He has been a member of the Nomination Committee of the Company since January 2019. Dr. Toh joined the Group in January 2008 and was previously Vice President, Pharmaceutical Development, of the Company. He holds Bachelor of Medicine and Bachelor of Surgery degrees from the National University of Singapore and a Master of Science degree in Epidemiology from the University of London. He is registered with the Singapore Medical Council and the General Medical Council, United Kingdom. Dr. Toh has over 26 years of experience in clinical medicine and pharmaceutical research and development, and has held various management and scientific positions in Asia and the United States. Prior to joining the Group, Dr. Toh was Director of Clinical Pharmacology in Oncology Development, directing a team of scientists working on the clinical development of new cancer drugs for a leading pharmaceutical firm in the United States.

TULLOCH, Peter Peace, aged 75, has been a Non-executive Director of the Company since April 2002 and a member of the Nomination Committee of the Company since January 2019. Mr. Tulloch serves as the Chairman and Non-executive Director of each of Victoria Power Networks Pty Ltd, SA Power Networks and Australian Gas Networks Limited. He is also Chairman and a Non-executive Director of both Powercor Australia Limited and CitiPower Pty Ltd. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Tulloch is a Fellow of the Institute of Canadian Bankers and has spent more than 30 years in Asia.

KWOK Eva Lee, aged 77, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since June 2002. She has been a member of the Remuneration Committee of the Company since January 2005 and the Chairman of the Remuneration Committee of the Company since January 2012. She has been a member of the Nomination Committee of the Company since January 2019. Mrs. Kwok currently serves as the Chair and Chief Executive Officer of Amara Holdings Inc. ("Amara"). She also acts as an Independent Director for Husky Energy Inc., an Independent Non-executive Director of CK Infrastructure Holdings Limited and a Director of Li Ka Shing (Canada) Foundation ("LKS Canada Foundation"). Mrs. Kwok also sits on the Compensation Committee and Corporate Governance Committee of Husky Energy Inc., and the Audit Committee and Nomination Committee of CK Infrastructure Holdings Limited. Except for Amara and LKS Canada Foundation, all the companies mentioned above are listed companies. She also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. In addition, she was an Independent Director of Bank of Montreal, a listed company, and previously sat on the Audit Committee and Pension Fund Society of the Bank of Montreal, the Nominating and Governance Committee of Shoppers Drug Mart Corporation, the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company, the Corporate Governance Committee of Air Canada, the Innovation Saskatchewan (IS) Board of Directors and the Saskatchewan-Asia Advisory Council of Saskatchewan.

Directors and Key Personnel (Cont'd)

RUSSEL, Colin Stevens, aged 78, has been an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee of the Company since January 2005. He has been a member of the Nomination Committee of the Company since January 2019. Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. He is also Managing Director of EMAS (HK) Limited. He is also an Independent Non-executive Director of CK Asset Holdings Limited, CK Infrastructure Holdings Limited and Husky Energy Inc., all being listed companies. Mr. Russel also holds directorships in certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel received his Bachelor's degree in Electronics Engineering and his Master's degree in Business Administration from McGill University, Canada. He is a Qualified Commercial Mediator.

KWAN Kai Cheong, aged 69, has been an Independent Non-executive Director of the Company since March 2015, the Chairman of the Audit Committee of the Company since May 2015 and a member of the Nomination Committee of the Company since January 2019. Mr. Kwan is Chairman of the Board of Utopa Limited, a commercial property operating company in China and President of Morrison & Company Limited, a business consultancy firm. He worked for Merrill Lynch & Co., Inc. for over 10 years during the period from 1982 to 1993, with his last position as President for its Asia Pacific region. He was formerly Joint Managing Director of Pacific Concord Holding Limited. Mr. Kwan is also an Independent Non-executive Director of HK Electric Investments Limited, HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, Greenland Hong Kong Holdings Limited, Henderson Sunlight Asset Management Limited ("HSAM") as the manager of Sunlight Real Estate Investment Trust, Panda Green Energy Group Limited and Win Hanverky Holdings Limited and a Non-executive Director of China Properties Group Limited. Mr. Kwan is also a Director of The Hongkong Electric Company, Limited ("HK Electric"). Except for HKEIM, HSAM and HK Electric, all the companies/investment trust mentioned above are listed in Hong Kong. He also holds directorships in certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Kwan holds a Bachelor of Accountancy (Honours) degree and is a Fellow of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in Australia and The Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

HONG KONG

CHAN Chi Tat, Wesley, aged 47, is a Finance Director of the Company. Mr. Chan holds an Executive Master of Business Administration degree and a Bachelor of Business Administration degree. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and a Fellow of The Association of Chartered Certified Accountants. Mr. Chan has over 20 years of experience in finance and auditing in Mainland China and the Asia Pacific Region, which includes work in a "big four" accounting firm. Prior to joining the Company in August 2015, he held a number of senior finance positions in various multinational corporations.

HO Wai Man, Bonita, aged 53, Business Development Director, has been with the Company since February 2004. She holds a Master of Business Administration degree, and a Bachelor of Commerce degree in Accounting. She is also a Chartered Financial Analyst of the CFA Institute. Ms. Ho had previously worked in a number of multinational corporations before joining the Company and has over 25 years of experience in corporate finance in both Hong Kong and Canada.

HON King Sang, Dennis, aged 64, is Legal Counsel of the Company and has been with the Company since June 2002. He holds a Master of Laws degree, and a Master of Science degree in Electronic Commerce and Internet Computing. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and a non-practising solicitor of the Senior Courts of England and Wales. He has over 35 years of legal experience and has held a number of senior positions in various major corporations.

LAU Ka Chun, John, aged 60, Finance Director, joined the Company in March 2012. Mr. Lau holds a Master of Business Administration degree, and a Bachelor of Arts degree. He is a member of the American Institute of Certified Public Accountants, and The Institute of Certified Management Accountants, USA. Mr. Lau has over 30 years of experience in accounting and financial management in Hong Kong, Singapore, USA and Mainland China, and has held a number of management positions in several multinational corporations.

LEE Mai Kuen, Jane, aged 59, is Chief Manager, Human Resources & Administration, of the Company. She joined the Company in March 2002 and has been with the CK Group since December 1995. Ms. Lee holds a Master of Science degree in Training and Human Resource Management, and has over 35 years of experience in human resource management, which includes her previous tenure in several multinational research-based pharmaceutical firms.

LIN Jian-er, John, aged 63, Director, Product Development, has been with the Company since December 2003. He holds a Doctor of Philosophy degree in Chemical Engineering, and has over 30 years of experience in the research and development of biochemical/chemical processes and products. Dr. Lin has extensive experience in biotechnology and process optimisation, as well as scale-up and validation for agricultural, environmental, pharmaceutical and household products, and previously held a number of senior positions in leading US corporations.

MA Wing Shing, Calvin, aged 50, is General Manager, Vital Care Hong Kong Limited. He holds a Master of Business Administration degree, and a Bachelor of Arts degree in Hospitality Management. Mr. Ma is a seasoned general manager with over 25 years of marketing and sales experience in major Asian markets. Prior to joining the Company in September 2015, he worked in a number of multinational corporations.

Directors and Key Personnel (Cont'd)

MO Yiu Leung, Jerry, aged 59, is Vice President, Finance, and is responsible for all finance and IT functions of the Company. Mr. Mo holds a Bachelor of Science degree in Accounting and Data Processing. He is also a Fellow of The Institute of Chartered Accountants in England and Wales, and an Associate of The Institute of Chartered Accountants in Australia and New Zealand, as well as The Hong Kong Institute of Certified Public Accountants. Mr. Mo has over 35 years of experience in financial management, accounting and auditing in the manufacturing sector. Prior to joining the Company in October 2005, he had held a number of senior management positions in major corporations in Australia, the UK and Hong Kong, which included work in a “big four” accounting firm.

TAM, Oi Lan, Irelan, aged 54, Finance Director, joined the Company in September 2015. Ms. Tam holds a Doctor of Business Administration degree, and Master of Science degrees in Management and Information Systems. She is a Chartered Global Management Accountant, a fellow member of both The Chartered Institute of Management Accountants, UK, and the Hong Kong Institute of Certified Public Accountants. She is a Certified Manager of Quality/Organisational Excellence and Certified Six Sigma Black Belt awarded by the American Society for Quality. Ms. Tam has over 30 years of experience in financial planning, budgeting and analytics, business integration, supply-chain optimisation, system development and internal control.

TONG BARNES Wai Che, Wendy, aged 58, Chief Corporate Affairs Officer, joined the CK Group in March 1999. She is also the Chief Corporate Affairs Officer of CK Asset Holdings Limited and CK Infrastructure Holdings Limited and the Deputy Chief Executive Officer of Hui Xian Asset Management Limited. Mrs. Barnes is also a board member of the Australian Chamber of Commerce in Hong Kong. She holds a Bachelor's degree in Business Administration.

YAN Wai Yin, Kirsty, aged 49, Senior Manager, Internal Audit, joined the Company in April 2010. She holds a Master of Business Administration degree, and a Bachelor of Arts degree in Accountancy. In addition to being a Certified Internal Auditor, Ms. Yan also holds the Certification in Risk Management Assurance by The Institute of Internal Auditors. She is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and a Fellow of The Association of Chartered Certified Accountants. Ms. Yan has over 20 years of experience in auditing and finance. She has worked with a “big four” accounting firm and various listed corporations in different industries including book publishing, electronics, telecommunication as well as real estate.

YEUNG, Eirene, aged 58, the Company Secretary, has been with the CK Group since August 1994 and she joined the Company in January 2002. Ms. Yeung is also Executive Committee Member and Company Secretary, and General Manager of Company Secretarial Department of CK Asset Holdings Limited. She is also the Company Secretary of CK Infrastructure Holdings Limited. All the companies mentioned above are listed companies. Ms. Yeung is a Non-executive Director of ARA Asset Management (Fortune) Limited, the manager of Fortune Real Estate Investment Trust (listed in Hong Kong and Singapore). She is also the Alternate Director to Mr. Kam Hing Lam, the Group Managing Director of CK Infrastructure Holdings Limited. She is a solicitor of the High Court of the Hong Kong Special Administrative Region and a non-practising solicitor of the Senior Courts of England and Wales. She is also a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Directors and Key Personnel (Cont'd)

OVERSEAS

BARBER, Paul, aged 55, is Chief Executive Officer of Australian Agribusiness (Holdings) Pty Ltd and is responsible for the businesses of the Company's wholly-owned Accensi Pty Ltd ("Accensi") and Amgrow Pty Ltd which serve the agriculture, horticulture, golf and turf, pest management and home garden markets in Australia and New Zealand. Mr. Barber is a graduate of the Harvard Business School Advanced Management Programme. Prior to joining the Company, Mr. Barber held key executive positions in all facets of the agricultural industry within Australia, New Zealand and Asia, and had previously served as CEO of Accensi. In addition to his executive roles, he has also held a number of directorships in several Australian agricultural businesses.

BARRINGTON-CASE, Angus, aged 44, is General Manager of Regenal Investments Pty Limited. He is responsible for managing the Company's vineyard portfolio in Australia and New Zealand. Mr. Barrington-Case holds a Bachelor of Business (Property) degree and is a Certified Practising Property Valuer and Specialist Water Valuer with the Australian Property Institute, as well as a member of the Royal Institute of Chartered Surveyors (RICS). He has substantial experience valuing agricultural and post farm gate infrastructure assets across Australia, having previously held positions with major property firms and wineries.

BRUEGGMAN, Patrick, aged 56, is the President and Chief Executive Officer of Vitaquest International LLC. He holds a Bachelor of Science degree in Chemistry, with a minor in Business Administration. Mr. Brueggman brings over 25 years of experience in the specialty chemical/ingredient industry, having spent his last 12 years in the pharmaceutical, food and personal care industries. Mr. Brueggman has rich multi-functional experience including commercial excellence, Six Sigma process focus, and innovation for growth.

GALLEN, Christopher, aged 68, is Chief Executive Officer of WEX Pharmaceuticals Inc. He holds M.D. and PhD (Biochemistry) degrees and was trained in psychiatry and neurology. After an academic career at a renowned research institute contributing to proving human cerebral plasticity, Dr. Gallen worked in the contract research organisation industry, and subsequently went on to hold senior clinical roles as well as top management positions at leading pharmaceutical firms. He contributed to the public listing of three corporations on NASDAQ, one of which he helped create and develop. Throughout his career, Dr. Gallen has contributed to several important product registrations that focused on the central nervous system and pain.

MALLON, Patrick, aged 58, is Chief Operating Officer of Polynoma LLC ("Polynoma") and is responsible for the management of preclinical, clinical development and operations, regulatory affairs, CMC/manufacturing, commercial development and quality functions of the Company. Mr. Mallon joined Polynoma in 2011. He holds a Bachelor's degree in Medical Technology, and has extensive senior and C-level executive experience in the pharmaceutical, medical device and life sciences sectors with expertise in product design, development and commercialisation of new, cutting-edge technologies, products and services. Mr. Mallon has a successful track record in building organisations for both start-up and Fortune 500 companies.

PEJNOVIC, Dusko, aged 59, is Chief Executive Officer of Lipa Pharmaceuticals Limited ("Lipa") and is responsible for the Company's health supplements and OTC pharmaceuticals operations in Australia. Mr. Pejnovic joined Lipa in June 2006 and became Chief Executive Officer in August 2007 prior to its acquisition by the Company in November 2007. He holds a Master's degree in Business Administration and a Bachelor's degree in Chemistry, and is a Fellow of the Australian Institute of Management. Mr. Pejnovic is a board member of the Complementary Medicines Australia. He has extensive senior executive management experience working for various large and medium-sized, local and multinational corporations engaged in a diverse range of businesses, including pharmaceuticals, foods, confectionery, industrial FMCG, and B2B services.

Directors and Key Personnel (Cont'd)

ROY, Daniel, aged 48, is General Manager of Santé Naturelle Adrien Gagnon Ltd. (“Santé Naturelle Adrien Gagnon”) and is responsible for the Company’s health supplements operation in Canada. He joined Santé Naturelle Adrien Gagnon in November 2012. Mr. Roy holds a Master’s degree in Industrial Engineering and a Bachelor’s degree in Administration. He has extensive executive management experience gained from working for over 15 years in the cosmetics industry.

SPEED, Andrew, aged 45, is Chief Executive Officer of Cheetham Salt Limited (“Cheetham”). He was appointed National Sales & Marketing Manager for Cheetham in July 2007, and was appointed Chief Executive Officer in June 2008. He holds a Master’s degree in Business Administration, a Bachelor’s degree in Science, and is a Graduate Member of the Australian Institute of Company Directors. Prior to joining Cheetham, Mr. Speed worked for a major Australian multinational in a range of national sales and product management roles. He has extensive experience in the food, agricultural and industrial sectors.

TONG, Victor, aged 68, is Chief Financial Officer of CK Life Sciences (North America) Inc., and Executive Vice President and Chief Corporate Development Officer of Vitaquest International LLC (“Vitaquest”). He oversees the accounting, financial reporting and financial management functions of the Company’s North American subsidiaries and associate companies. In addition, he is a senior officer at Vitaquest, where he maintains oversight of financial and commercial activities. Mr. Tong holds a Master of Business Administration degree, and a Bachelor of Business Administration degree. He has been qualified as a professional accountant in the province of Ontario, Canada and was a lecturer of a renowned university’s M.B.A. program. Prior to joining the Company, Mr. Tong spent over 18 years in investment banking in Canada, working with several global corporations, specialising in corporate finance as well as mergers and acquisitions.

Report of the Directors

The Directors have pleasure in presenting to shareholders their report together with the audited financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A fair review of the Group's businesses, and an indication of likely future developments in the Group's businesses are provided in the Business Review and Chairman's Statement on pages 6 to 23 and pages 2 to 5 of this Annual Report respectively. An analysis of the Group's performance using financial key performance indicators is set out in the Financial Summary on page 25 and Financial Review on pages 26 to 27. A description of the principal risks and uncertainties facing the Group can be found in the Risk Factors on pages 173 to 177.

A discussion on the Group's environmental policies and performance and an account of the Group's key relationships with its stakeholders are included in the Environmental, Social and Governance Report on pages 163 to 172 of this Annual Report. The above discussions form part of the Report of the Directors.

Many of the Group's activities are subject to regulation by agencies such as the Food and Drug Administration (FDA) in the United States, the Therapeutic Goods Administration (TGA) in Australia and Health Canada. We maintain high awareness of, and comply with, the agencies' requirements; are cooperative with their requests for information and proactively assist them in on-site inspections. Further information about laws and regulations affecting the businesses of the Group can be found in the Environmental, Social and Governance Report on pages 163 to 172 of this Annual Report.

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement on page 52.

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

GROUP FINANCIAL SUMMARY

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

Report of the Directors (Cont'd)

DIRECTORS

The Directors of the Company in office at the date of this report are listed on page 178 and their biographical information is set out on pages 28 to 30.

In accordance with the Company's Articles of Association, the Directors of the Company (including Non-executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Victor T K Li, Mr. Ip Tak Chuen, Edmond and Mr. Colin Stevens Russel will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Dr. Toh Kean Meng, Melvin was appointed as an Executive Director of the Company with effect from 15 November 2018. In accordance with the Company's Articles of Association, Dr. Toh shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Dr. Chu Kee Hung retired as an Executive Director of the Company with effect from 15 November 2018.

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for otherwise disclosed under the section "Continuing Connected Transactions", there was no other transactions, arrangements or contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year 2018 and as at the date of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

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

As at 31 December 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

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

Note:

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

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 2018, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors (Cont'd)

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31 December 2018, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

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

Report of the Directors (Cont'd)

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

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

Notes:

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

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of the Directors (Cont'd)

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

(1) Core business activities of the Group

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

(2) Interests in Competing Business

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

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

* With effect from the conclusion of the annual general meeting of CK Hutchison Holdings Limited held on 10 May 2018, Mr. Victor T K Li succeeded as Chairman of CK Hutchison Holdings Limited.

** With effect from the conclusion of the annual general meeting of CK Asset Holdings Limited held on 10 May 2018, Mr. Victor T K Li succeeded as Chairman of CK Asset Holdings Limited.

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

CONTINUING CONNECTED TRANSACTIONS

The following transactions of the Group constituted continuing connected transactions of the Group during the year ended 31 December 2018 under the Listing Rules:

(1) Lease Agreements

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

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

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

During the year 2018, the rentals paid to Leknarf for the leases under the Lease Agreements amounted to US\$288,345 (HK\$2,249,000), US\$1,422,432 (HK\$11,095,000), US\$0* (HK\$0) and US\$731,364 (HK\$5,705,000) respectively. The rents for the leases under the Lease Agreements have the same payment terms and are to be paid by monthly instalments in advance on the first day of each and every calendar month during the lease period. Leknarf is an associate of an individual investor, who was a former director and Co-Chairman of a wholly-owned subsidiary of the Company (the “Individual Investor”)**. Leknarf is therefore a connected person of the Company under the Listing Rules. According to Rule 14A.60(1) of the Listing Rules, the Lease Agreements are subject to the reporting and disclosure requirements under Chapter 14A of the Listing Rules.

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

** The Individual Investor resigned as a director of the wholly-owned subsidiary of the Company with effect from 16 January 2019.

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

Report of the Directors (Cont'd)

(2) Supply Agreement

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

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

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

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

During the year 2018, the value of the Products provided by the Group to the CKHH Group and the value of the Sales Related Payments paid/payable by the Group to the CKHH Group pursuant to the New CKHH Supply Agreement amounted to HK\$20,209,000 and HK\$4,340,000 respectively. Details of the Continuing Connected Transactions II were disclosed in the New Supply Announcement.

(3) Management Agreement

On 31 May 2017, Regenal Management Services Pty Limited (“RMSPL”), a wholly-owned subsidiary of the Company and Ittelocin Pty Ltd (“IPL”), a wholly-owned subsidiary of CK Asset Holdings Limited (“CKA”) entered into a management agreement (the “Management Agreement”) (as defined and more particularly described in the announcement of the Company dated 31 May 2017 (the “Management Announcement”). Given that Mr. Li Ka-shing, Mr. Victor T K Li (being a director of the Company) and the Trust (as defined in the Management Announcement) have been deemed as a group of connected persons by the Stock Exchange and they directly or indirectly held an aggregate of approximately 31.16% of the issued share capital of CKA as at 31 May 2017, CKA may be regarded as a connected person of the Company under the Listing Rules. IPL, being a wholly-owned subsidiary of CKA, may also be regarded as a connected person of the Company under the Listing Rules, and the entering into of the Management Agreement between RMSPL and IPL constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules (hereinafter referred to as the “Continuing Connected Transactions III”). Mr. Victor T K Li voluntarily abstained from voting on the board resolutions of the Company for approving the Continuing Connected Transactions III. Under the Management Agreement, RMSPL agreed to provide and/or procure to provide general management services, property services, leasing services, acquisition and disposal services and capital expenditure and re-development services to IPL in respect of the Properties (as defined and more particularly described in the Management Announcement) in Australia and New Zealand for a term commencing from 1 January 2017 and ending on the earlier of (i) the date on which the Management Agreement is terminated in accordance with its terms; (ii) the date on which all Properties are sold or disposed of; or (iii) 31 December 2019.

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

Period	Aggregate amount of fees receivable by RMSPL from IPL (HK\$)
For the year ended 31 December 2017	12,000,000
For the year ended 31 December 2018	17,000,000
For the year ending 31 December 2019	20,000,000

During the year 2018, the aggregate amount of fees received/receivable by RMSPL from IPL pursuant to the Management Agreement amounted to HK\$5,013,000. Details of the Continuing Connected Transactions III were disclosed in the Management Announcement.

The Continuing Connected Transactions I, Continuing Connected Transactions II and Continuing Connected Transactions III (collectively referred to as the “Continuing Connected Transactions”) have all been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors have confirmed that for the year 2018 the Continuing Connected Transactions were entered into (i) in the ordinary and usual course of business of the Group (except that the Continuing Connected Transactions III may not be considered as in the ordinary and usual course of business of the Company); (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Report of the Directors (Cont'd)

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to report the Continuing Connected Transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported to the Board and confirmed that for the year 2018 nothing has come to their attention that causes them to believe that the Continuing Connected Transactions (i) have not been approved by the Board; (ii) have exceeded the relevant caps; and (iii) the samples that the auditor selected for the Continuing Connected Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions and were not in accordance with the Group's pricing policies, if applicable.

MAJOR CUSTOMERS AND SUPPLIERS

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

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2018, the Company has not entered into any equity-linked agreement, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2018.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Group's annual report for the year ended 31 December 2018 has been reviewed by the audit committee of the Company ("Audit Committee"). Information on the work of Audit Committee and its composition are set out in the Code Provision C.3 of the Corporate Governance Report on pages 149 to 152.

AUDITOR

The financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and offer themselves for re-appointment at the 2019 annual general meeting.

On behalf of the Board

Victor T K Li

Chairman

Hong Kong, 19 March 2019

Independent Auditor's Report

Deloitte.

德勤

To The Shareholders of
CK Life Sciences Int'l., (Holdings) Inc.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CK Life Sciences Int'l., (Holdings) Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 127, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of goodwill arising from acquisitions in prior years</i>	
<p>We identified the impairment assessment of goodwill arising from acquisitions of businesses in prior years as a key audit matter due to significance of the Group's goodwill in the context of the Group's consolidated financial statements, combined with the judgments involved in the management's impairment assessment of goodwill.</p> <p>As disclosed in note 15 to the consolidated financial statements, as at 31 December 2018, the carrying amount of goodwill (net of accumulated impairment losses) amounted to HK\$2,800,738,000 which represented approximately 26.8% of the Group's total assets. As disclosed in note 3(e)(iii) to the consolidated financial statements, a cash-generating unit to which goodwill has been allocated is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the unit might be impaired.</p> <p>As set out in note 4 to the consolidated financial statements, the impairment assessment of goodwill is dependent on certain significant inputs and estimations that involve the management's judgments, including the calculation of value in use of each cash-generating unit to which goodwill has been allocated. This requires the Group to estimate the future cash flows expected to arise from each cash-generating unit and a suitable discount rate in order to calculate its present value. Where the actual future cash flows are less than the expected future cash flows, impairment losses may arise.</p> <p>During the year ended 31 December 2018, no impairment of goodwill is considered by the management and details of the management's process for goodwill impairment assessment and key inputs, in particular, cash flow projections, growth rates and weighted average cost of capital (discount rates) used in the valuation are disclosed in note 15 to the consolidated financial statements.</p>	<p>Our procedures in relation to the impairment assessment of goodwill arising from acquisitions in prior years included:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the management's impairment assessment of goodwill in accordance with the requirements of the relevant HKFRSs; • Obtaining an understanding of the management controls over the impairment assessment of goodwill; • Examining the determination of recoverable amounts which are the value in use of cash-generating units to which goodwill has been allocated and obtaining an understanding of financial position and future prospects of respective cash-generating units; • Evaluating the reasonableness of key inputs and assumptions used by the management in estimations of value in use with the involvement of our corporate finance specialists, including projections of cash flows, growth rates and weighted average cost of capital (discount rates) applied; • Comparing cash flow projections to supporting evidence, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the past performance and future prospects of respective cash-generating units as well as our knowledge of the business; • Comparing the growth rates used to historical growth rates for business of respective cash-generating units; and • Performing a sensitivity analysis on the key inputs to evaluate the magnitude of their impacts on the calculations of the value in use of respective cash-generating units and assessing if an impairment loss of goodwill is required to be made by the management.

Independent Auditor's Report (Cont'd)

KEY AUDIT MATTERS (CONT'D)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties</p>	
<p>We identified the valuation of investment properties as a key audit matter as the determination of the fair value of investment properties is dependent on certain significant unobservable inputs that involve the management's judgments, including current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.</p> <p>As at 31 December 2018, the Group's investment properties located in Australia and New Zealand carried at HK\$1,522,092,000, represented approximately 14.6% of the Group's total assets. As disclosed in note 6 to the consolidated financial statements, unrealised gain on fair value changes of investment properties of HK\$167,591,000 was recognised in the consolidated income statement for the year.</p> <p>All of the Group's investment properties are measured at fair value which were revalued by the directors of the Company by reference to the valuation performed by independent qualified professional valuers (the "Valuers"). Details of the valuation techniques and key inputs used in the valuation are disclosed in notes 4 and 34(b) to the consolidated financial statements.</p>	<p>Our procedures in relation to the valuation of investment properties included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the management controls over the valuation of investment properties; • Evaluating the competence, capabilities and objectivity of the Valuers and verifying their qualifications; • Assessing the management's and the Valuers' judgments and estimations with the involvement of our corporate finance specialists, in particular, the appropriateness of the valuation techniques used by the directors and the Valuers; and the reasonableness of the significant assumptions and inputs adopted by the management including current market rents for similar properties in the same location and condition, discount rates, expected future market rents and future maintenance costs by comparing these inputs, on a sample basis, to entity-specific information and market data; and • Performing analysis on the key assumptions and inputs including discount rates and market rents, with the involvement of our corporate finance specialists, to evaluate the results on the valuation of investment properties.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (Cont'd)

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

19 March 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	5	5,232,992	4,693,133
Cost of sales		(3,498,628)	(3,149,322)
		1,734,364	1,543,811
Other income, gains and losses	6	198,225	218,360
Staff costs	7	(524,742)	(507,319)
Depreciation		(53,159)	(61,068)
Amortisation of intangible assets	15	(6,704)	(18,275)
Other expenses	6	(798,555)	(805,502)
Finance costs	8	(129,674)	(94,227)
Share of results of joint ventures		1,471	54,213
Profit before taxation		421,226	329,993
Taxation	9	(120,537)	(49,448)
Profit for the year	10	300,689	280,545
Attributable to:			
Shareholders of the Company		263,001	258,402
Non-controlling interests of subsidiaries		37,688	22,143
		300,689	280,545
Earnings per share	11		
– Basic		2.74 cents	2.69 cents
– Diluted		2.74 cents	2.69 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Investment properties	13	1,522,092	1,318,972
Property, plant and equipment	14	1,900,640	1,958,017
Intangible assets	15	3,592,236	3,588,711
Interests in a joint venture	16	6,978	8,944
Equity investments	17	129,644	216,902
Deferred taxation	25	29,734	40,160
		7,181,324	7,131,706
Current assets			
Equity investments	17	11,585	16,358
Tax recoverable		10,404	56,172
Inventories	18	1,227,181	1,066,929
Receivables and prepayments	19	1,234,583	1,274,727
Bank balances and deposits	20	773,374	1,037,772
		3,257,127	3,451,958
Current liabilities			
Payables and accruals	21	(916,197)	(1,003,561)
Bank borrowings	22	(924,000)	(93,135)
Finance lease obligations	23	(303)	(295)
Other borrowings	24	–	(1,100,000)
Taxation		(107,589)	(64,938)
		(1,948,089)	(2,261,929)
		1,309,038	1,190,029
Net current assets			
		8,490,362	8,321,735
Total assets less current liabilities			

Consolidated Statement of Financial Position (Cont'd)

As at 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current liabilities			
Bank borrowings	22	(2,792,249)	(3,402,073)
Finance lease obligations	23	(344)	(666)
Other borrowings	24	(1,100,000)	–
Deferred taxation	25	(171,583)	(162,291)
Retirement benefit obligations	30	(6,343)	–
		(4,070,519)	(3,565,030)
Total net assets			
		4,419,843	4,756,705
Capital and reserves			
Share capital	26	961,107	961,107
Share premium and reserves		3,302,801	3,655,936
Equity attributable to shareholders of the Company			
Non-controlling interests of subsidiaries		155,935	139,662
Total equity			
		4,419,843	4,756,705

Victor T K Li
Director

Ip Tak Chuen, Edmond
Director

19 March 2019

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 HK\$'000	2017 HK\$'000
Profit before taxation		421,226	329,993
Share of results of joint ventures		(1,471)	(54,213)
Finance costs		129,674	94,227
Depreciation		131,589	126,572
Fair value loss on investments mandatorily measured at fair value through profit or loss		4,773	1,729
Loss on derivative financial instruments		–	1,470
Gain on disposal of joint ventures		–	(3,631)
Gain on disposal of investment properties		(5,934)	–
Gain on disposal of property, plant and equipment		(626)	(4,047)
Gain on remeasurement of previously held interest in a joint venture		–	(5,178)
Interest income		(11,785)	(7,321)
Amortisation of intangible assets		6,704	18,275
Net unrealised gain on fair value changes of investment properties		(167,591)	(181,013)
Net impairment of property, plant and equipment		14,676	34,800
Reversal of impairment of intangible assets		(2,489)	(3,733)
Net reversal of impairment of trade receivables		(407)	(2,193)
(Reversal of)/inventories written off		(14,665)	3,680
Operating cash flows before working capital changes		503,674	349,417
Increase in inventories		(203,249)	(19,316)
Increase in receivables and prepayments		(20,163)	(123,626)
(Decrease)/increase in payables and accruals		(45,351)	36,384
Profits tax paid		(4,219)	(108,291)
Net cash from operating activities		230,692	134,568
Investing activities			
Purchases of investment properties		(186,855)	(38,791)
Purchases of property, plant and equipment		(194,052)	(92,025)
Additions to intangible assets		(93,747)	(2,437)
Proceeds from disposal of investment properties		77,930	–
Proceeds from disposal of property, plant and equipment		8,346	6,929
Acquisition of a subsidiary	32	–	(60,229)
Dividends received from joint ventures		2,799	66,984
Interest received		11,690	7,321
Net cash used in investing activities		(373,889)	(112,248)

Consolidated Statement of Cash Flows (Cont'd)

For the year ended 31 December 2018

	Note	2018 HK\$'000	2017 HK\$'000
Financing activities			
New bank borrowings raised		350,000	2,490,856
Repayment of bank borrowings		(115,396)	(1,774,182)
New other borrowings raised		–	601,590
Repayment of other borrowings		–	(857,590)
Finance leases obligations repaid		(294)	(561)
Interest paid		(129,587)	(94,754)
Acquisition of additional interests in subsidiaries		(94,267)	(119,647)
Dividends distributed to non-controlling interests of subsidiaries		(12,099)	(11,514)
Dividends distributed to shareholders of the Company		(96,111)	(96,111)
Net cash (used in)/from financing activities		(97,754)	138,087
Net (decrease)/increase in cash and cash equivalents		(240,951)	160,407
Cash and cash equivalents at beginning of the year		1,037,772	859,432
Effect of foreign exchange rate changes		(23,447)	17,933
Cash and cash equivalents at end of the year	20	773,374	1,037,772

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

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

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

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

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

HKFRS 15 “Revenue from Contracts with Customers” and related amendments

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

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

Notes to the Consolidated Financial Statements (Cont'd)

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

HKFRS 15 "Revenue from Contracts with Customers" and related amendments (cont'd)

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

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

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

Notes to the Consolidated Financial Statements (Cont'd)

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

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

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has minimum lease charges payable of HK\$203,980,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Notes to the Consolidated Financial Statements (Cont'd)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

(a) *Basis of consolidation*

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

(b) *Business combinations*

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or the replacement of an acquiree's share-based payment arrangements with share-based payment arrangements of the Group are measured in accordance with HKFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) *Business combinations (cont'd)*

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) *Investment properties*

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

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

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

(d) *Property, plant and equipment*

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

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

Leasehold improvement	6½% to 25%, or over the term of the lease, whichever is shorter
Leasehold land	Over the term of the lease
Buildings	2.5% to 7.7%, or over the term of the lease, whichever is shorter
Vines	Over 25 to 80 years
Laboratory instruments, plant and equipment	4% to 50%
Furniture, fixtures and other assets	6½% to 50%

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

Salt fields carried at their revalued amounts, being the fair values at the date of revaluation less any subsequent accumulated impairment losses.

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

(e) *Intangible assets*

i. **Development costs**

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

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

ii. Patents

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

iii. Goodwill

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

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

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

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

iv. Brand name and trademarks

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (cont'd)

v. Water rights

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

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

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

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

On initial recognition, other intangible assets acquired from business combinations are recognised separately from goodwill and are initially recognised at fair value at the acquisition date. After initial recognition, other intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives of the assets of 3.3 to 10 years.

vii. Impairment of intangible assets with indefinite useful lives

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

viii. Derecognition

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) *Impairment*

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

The recoverable amount of tangible and intangible assets is estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) *Investments in joint ventures*

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

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

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

The Group assesses whether there is objective evidence that the investment in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

(h) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

i. Classification of financial assets

Debt instruments

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (cont'd)

i. Classification of financial assets (cont'd)

Equity investments

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

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

ii. Measurement of financial assets

Financial assets measured at amortised cost

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

Equity investments classified as FVTOCI

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

Financial assets at FVTPL

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

iii. Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

iii. **Impairment of financial assets (cont'd)**

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

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

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

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

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

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

Generally, the expected credit losses is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

iv. **Classification and measurement of financial liabilities**

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

v. **Derecognition**

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

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

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

(i) **Inventories**

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) *Revenue recognition*

In adopting HKFRS 15, the core principle 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, revenue from the sale of goods is recognised when (or as) a performance obligation is satisfied, i.e. when “control” of the goods underlying the particular performance obligation is transferred to the customer, generally upon delivery of the goods. Revenue is recognised for sales with variable consideration which are considered highly probable that a significant reversal of the cumulative revenue recognised will not occur.

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) *Revenue recognition (cont'd)*

Prior to adoption of HKFRS 15, revenue from the sale of goods is recognised when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

(k) *Leased assets*

Leases that transfer substantially all the risks and rewards of ownership of assets to the Group, other than legal title, are accounted for as finance leases. Leases where substantially all the risks and rewards of ownership remain with the lessor are accounted for as operating leases.

The Group as lessee

At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms or the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as expense on a straight-line basis over the relevant lease term. Contingent rentals are recognised as expense in the period in which they are incurred. Benefit received and receivable as an incentive to enter into an operating lease is recognised as a reduction of rental expense over the lease term on a straight-line basis.

The Group as lessor

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) *Employee Retirement Benefits*

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

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

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

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

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

(m) *Foreign currencies*

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

(n) *Taxation*

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) *Taxation (cont'd)*

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Notes to the Consolidated Financial Statements (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

Determining whether property, plant and equipment and goodwill have been impaired requires an estimation of the value in use of the assets or the cash-generating units to which the assets belong. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected future cash flows, impairment losses may arise.

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

Details of the impairment test on goodwill and capitalised development costs are set out in note 15.

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

As at 31 December 2018, a deferred tax asset of HK\$29,734,000 (2017: HK\$40,160,000) has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

Fair value measurements and valuation processes

Investment properties, salt fields and unlisted equity investments at FVTOCI were revalued by the Directors of the Company by reference to the valuation performed by independent professional valuers.

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

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

In estimating the fair value of the properties, the highest and best use of the properties is generally their current use. Details of information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets are disclosed in note 34.

The Group selects appropriate valuation techniques for unlisted equity investments not quoted in an active market which are commonly used by market practitioners. The fair values of unlisted equity investments designated at FVTOCI are determined in accordance with generally accepted pricing models. Details of information about the valuation are disclosed in note 34.

Notes to the Consolidated Financial Statements (Cont'd)

5. REVENUE

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

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

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

6. OTHER INCOME, GAINS AND LOSSES/OTHER EXPENSES

	2018 HK\$'000	2017 HK\$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	10,468	6,776
Other interest income	1,317	545
Gain on disposal of joint ventures	–	3,631
Gain on remeasurement of previously held interest in a joint venture	–	5,178
Net unrealised gain on fair value changes of investment properties	167,591	181,013
Fair value loss on investments mandatorily measured at fair value through profit or loss		
– Investments held for trading	(4,773)	(1,729)
Loss on derivative financial instruments	–	(1,470)
Included in other expenses are:		
Auditor's remuneration	13,731	14,123
Exchange loss	26,305	3,939
Net impairment of property, plant and equipment	14,676	34,800
Reversal of impairment of intangible assets	(2,489)	(3,733)
Net reversal of impairment of trade receivables	(407)	(2,193)
Gain on disposal of investment properties	(5,934)	–
Gain on disposal of property, plant and equipment	(626)	(4,047)
Clinical trial and laboratory expenses	109,264	114,568
Freight and delivery expenses	314,373	273,682
Selling, promotion, advertising and related expenses	66,361	69,951

Notes to the Consolidated Financial Statements (Cont'd)

7. STAFF COSTS

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

8. FINANCE COSTS

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

9. TAXATION

	2018 HK\$'000	2017 HK\$'000
The tax expenses for the year represent:		
Current tax		
Hong Kong	–	–
Other jurisdictions	73,727	10,100
Under/(over) provision in prior years		
Hong Kong	–	–
Other jurisdictions	18,953	(386)
Deferred tax (Note 25)		
Hong Kong	–	–
Other jurisdictions	27,857	39,734
	120,537	49,448

Hong Kong profits tax has been provided for at the rate of 16.5% of the estimated assessable profits. Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Several overseas subsidiaries of the Company are under a tax audit for the period from 1 January 2008 to 31 December 2014. As at 31 December 2018, the subsidiaries are negotiating with the relevant tax authority in order to resolve tax disputes mainly regarding the deductibility of certain interests expenses. Subsequent to the year end, the Group has reached an agreement with the relevant tax authority to finalise the tax dispute. Directors considered tax provision as at 31 December 2018 has been sufficiently provided in respect of the tax dispute.

Notes to the Consolidated Financial Statements (Cont'd)

9. TAXATION (CONT'D)

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before taxation	421,226	329,993
Notional tax at tax rate of 16.5%	69,502	54,449
Tax effect of share of results of joint ventures	(243)	(8,945)
Tax effect of non-deductible expenses	45,153	40,810
Tax effect of non-taxable income	(68,414)	(84,153)
Tax effect of tax losses not recognised	25,178	23,560
Under/(over) provision in prior years	18,953	(386)
Tax effect of utilisation of tax losses previously not recognised	(5,385)	(1,822)
Effect of different tax rates of subsidiaries operating in other jurisdictions	33,506	17,766
Others	2,287	8,169
Tax expenses	120,537	49,448

Notes to the Consolidated Financial Statements (Cont'd)

10. PROFIT FOR THE YEAR

	2018 HK\$'000	2017 HK\$'000
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment		
Owned assets	131,289	126,283
Assets held under finance leases	300	289
	131,589	126,572
Amount included in production overheads	(78,430)	(65,504)
	53,159	61,068
Inventories written off	–	3,680
Operating lease expenses	83,508	81,086
and after crediting:		
Rental income from investment properties (included in revenue)	144,470	142,079
Dividend income from listed securities mandatorily measured at fair value through profit or loss (included in revenue)	366	365
Reversal of inventories written off	14,665	–
Interest income from unlisted investments at fair value through profit or loss (included in revenue)	–	1,479

Notes to the Consolidated Financial Statements (Cont'd)

11. EARNINGS PER SHARE

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

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

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

12. DIVIDENDS

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

13. INVESTMENT PROPERTIES

	2018 HK\$'000	2017 HK\$'000
Overseas freehold investment properties, at valuation		
As at 1 January	1,318,972	1,057,678
Additions	186,855	38,791
Disposals	(71,996)	–
Net increase in fair value recognised in profit or loss	167,591	181,013
Exchange differences	(79,330)	41,490
As at 31 December	1,522,092	1,318,972

Details of the valuation processes and valuation techniques of investment properties are disclosed in notes 4 and 34(b).

Notes to the Consolidated Financial Statements (Cont'd)

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Vines HK\$'000	Salt fields HK\$'000	Construction in progress HK\$'000	Laboratory instruments, plant and equipment HK\$'000	Furniture, fixtures and other assets HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
Cost or valuation								
As at 1 January 2017	462,005	510,926	242,345	59,977	680,367	145,967	158,081	2,259,668
Arising from acquisition of a subsidiary	143,070	–	107,317	8,606	193,951	2,082	–	455,026
Additions	–	7,422	–	67,951	8,113	6,965	1,947	92,398
Reclassification	13,543	–	–	(63,119)	41,940	3,183	4,453	–
Disposals/write-off	(2,142)	–	–	–	(9,599)	(18,595)	(194)	(30,530)
Exchange difference	19,666	22,179	15,784	1,435	31,023	4,256	4,121	98,464
As at 1 January 2018	636,142	540,527	365,446	74,850	945,795	143,858	168,408	2,875,026
Additions	23,876	54,775	–	75,662	29,422	8,705	1,612	194,052
Reclassification	896	–	711	(42,847)	34,422	3,564	3,254	–
Disposals/write-off	–	(16,153)	–	(181)	(5,585)	(5,743)	(52)	(27,714)
Exchange difference	(18,506)	(32,390)	(17,993)	(1,216)	(61,985)	(4,313)	(4,787)	(141,190)
As at 31 December 2018	642,408	546,759	348,164	106,268	942,069	146,071	168,435	2,900,174
Comprising:								
Cost	642,408	546,759	–	106,268	942,069	146,071	168,435	2,552,010
Valuation	–	–	348,164	–	–	–	–	348,164
	642,408	546,759	348,164	106,268	942,069	146,071	168,435	2,900,174
Depreciation and impairment								
As at 1 January 2017	104,131	90,019	–	–	389,727	109,742	62,445	756,064
Provided for the year	10,751	28,886	–	–	60,757	13,135	13,043	126,572
Net (reversal of)/ impairment loss	(23,352)	58,152	–	–	–	–	–	34,800
Eliminated upon disposals/write-off	(1,834)	–	–	–	(9,222)	(16,398)	(194)	(27,648)
Exchange difference	2,982	4,564	–	–	15,278	3,327	1,070	27,221
As at 1 January 2018	92,678	181,621	–	–	456,540	109,806	76,364	917,009
Provided for the year	13,056	23,269	–	–	70,656	10,624	13,984	131,589
Impairment loss	–	14,676	–	–	–	–	–	14,676
Eliminated upon disposals/write-off	–	(9,220)	–	–	(5,246)	(5,485)	(43)	(19,994)
Exchange difference	(3,092)	(12,746)	–	–	(23,155)	(3,179)	(1,574)	(43,746)
As at 31 December 2018	102,642	197,600	–	–	498,795	111,766	88,731	999,534
Carrying Values								
As at 31 December 2018	539,766	349,159	348,164	106,268	443,274	34,305	79,704	1,900,640
As at 31 December 2017	543,464	358,906	365,446	74,850	489,255	34,052	92,044	1,958,017

Notes to the Consolidated Financial Statements (Cont'd)

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

The carrying value of properties shown above comprises:

	2018 HK\$'000	2017 HK\$'000
Leasehold land and building in Hong Kong	91,920	95,145
Overseas freehold land and building	447,846	448,319
	539,766	543,464

Details of the valuation processes and valuation techniques of salt fields are disclosed in notes 4 and 34(b).

The leasehold land in Hong Kong is leased from Hong Kong Science and Technology Parks Corporation for a term up to 27 June 2047.

The carrying value of the Group's property, plant and equipment held under finance leases included in furniture, fixtures and other assets amounted to HK\$831,000 (2017: HK\$1,080,000).

During the year ended 31 December 2017, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$373,000.

During the year ended 31 December 2018, the Directors conducted reviews on the recoverable amounts of property, plant and equipment. As a result, impairment losses of HK\$14,676,000 (2017: HK\$58,152,000) have been recognised in profit or loss to reduce the carrying amount of vines to their recoverable amounts. During the year ended 31 December 2017, reversal of impairment loss of HK\$23,352,000 had been recognised in profit or loss to increase the carrying amount of land and buildings to their recoverable amounts.

Notes to the Consolidated Financial Statements (Cont'd)

15. INTANGIBLE ASSETS

	Development costs HK\$'000	Patents HK\$'000	Goodwill HK\$'000	Brand name and trademarks HK\$'000	Customer relationships HK\$'000	Water rights HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
Cost								
As at 1 January 2017	413,530	141	2,806,254	101,139	375,047	159,859	10,346	3,866,316
Arising from acquisition of a subsidiary	–	–	–	23,228	–	–	–	23,228
Additions	–	–	–	–	–	1,399	1,038	2,437
Exchange difference	9,905	9	52,474	5,714	11,970	10,486	315	90,873
As at 1 January 2018	423,435	150	2,858,728	130,081	387,017	171,744	11,699	3,982,854
Additions	–	–	–	–	–	76,932	16,815	93,747
Exchange difference	(9,222)	(11)	(57,990)	(5,808)	(13,702)	(12,308)	(1,173)	(100,214)
As at 31 December 2018	414,213	139	2,800,738	124,273	373,315	236,368	27,341	3,976,387
Amortisation and impairment								
As at 1 January 2017	454	116	–	–	341,810	18,895	7,123	368,398
Provided for the year	–	–	–	–	16,797	–	1,478	18,275
Reversal of impairment loss	–	–	–	–	–	(3,733)	–	(3,733)
Exchange difference	23	8	–	–	9,793	1,242	137	11,203
As at 1 January 2018	477	124	–	–	368,400	16,404	8,738	394,143
Provided for the year	–	–	–	–	4,360	–	2,344	6,704
Reversal of impairment loss	–	–	–	–	–	(2,489)	–	(2,489)
Exchange difference	(21)	(9)	–	–	(12,579)	(1,176)	(422)	(14,207)
As at 31 December 2018	456	115	–	–	360,181	12,739	10,660	384,151
Carrying values								
As at 31 December 2018	413,757	24	2,800,738	124,273	13,134	223,629	16,681	3,592,236
As at 31 December 2017	422,958	26	2,858,728	130,081	18,617	155,340	2,961	3,588,711

Notes to the Consolidated Financial Statements (Cont'd)

15. INTANGIBLE ASSETS (CONT'D)

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

For the purposes of impairment testing, goodwill and brand name and trademarks with indefinite useful lives have been allocated to six individual cash generating units (CGUs), including three in the health segment and three in the agriculture-related segment. The carrying amounts of goodwill and brand name and trademarks (net of accumulated impairment losses) as at 31 December 2018 allocated to these segments are as follows:

	Goodwill		Brand name and trademarks	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Health	2,484,789	2,521,201	59,898	62,680
Agriculture-related	315,949	337,527	64,375	67,401
	2,800,738	2,858,728	124,273	130,081

During the year ended 31 December 2018, management of the Group has assessed the recoverable amounts of the Group's CGUs containing goodwill or brand name and trademarks with indefinite useful lives.

The recoverable amounts of the CGUs are determined from the value in use calculations. These calculations use cash flow projections based on 5-year period financial budgets approved by management, and discount rates of 10.3% to 12.0% (2017: 10.5% to 12.0%). The CGUs cash flows beyond budget period are extrapolated using steady growth rates. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows have included budgeted sales and gross margin, and such estimation is based on the unit's past performance and management's expectations for market development.

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

During the year ended 31 December 2018, the Directors conducted reviews on the recoverable amounts of water rights entitlements. As a result, reversal of impairment loss of HK\$2,489,000 (2017: HK\$3,733,000) had been recognised in profit or loss to increase the carrying amount of intangible assets to their recoverable amounts.

Other intangible assets include computer software.

Notes to the Consolidated Financial Statements (Cont'd)

16. INTERESTS IN A JOINT VENTURE

	2018 HK\$'000	2017 HK\$'000
Aggregate information of joint ventures that are not individually material		
Cost of investments in joint venture, unlisted	5,420	5,420
Share of post-acquisition results, net of dividends received	4,247	5,575
Exchange reserve	(2,689)	(2,051)
Aggregate carrying amount	6,978	8,944
Group's share of results and total comprehensive income of joint ventures for the year	1,471	54,213
Dividends received from joint ventures during the year	2,799	66,984

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

17. EQUITY INVESTMENTS

	2018 HK\$'000	2017 HK\$'000
Listed in Hong Kong at quoted price		
– Equity investments mandatorily measured at fair value through profit or loss	11,585	16,358
– Equity investment designated at fair value through other comprehensive income	10,644	14,902
	22,229	31,260
Unlisted investments		
– Equity investment designated at fair value through other comprehensive income	119,000	202,000
Carrying amount analysed for reporting purpose as:		
Current	11,585	16,358
Non-current	129,644	216,902

Equity investments designated at fair value through other comprehensive income are considered as long-term and strategic investments.

Notes to the Consolidated Financial Statements (Cont'd)

18. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Raw materials	534,493	527,222
Work in progress	378,117	308,851
Finished goods	314,571	230,856
	1,227,181	1,066,929

The cost of inventories recognised as an expense during the year was HK\$3,498,628,000 (2017: HK\$3,149,322,000).

19. RECEIVABLES AND PREPAYMENTS

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

19. RECEIVABLES AND PREPAYMENTS (CONT'D)

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0-90 days	973,234	993,059
Over 90 days	70,844	69,000
	1,044,078	1,062,059

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

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
As at 1 January	13,034	16,665
Impairment loss recognised	2,172	5,544
Amounts recovered during the year	(2,579)	(7,737)
Uncollectible amounts written off	(881)	(2,407)
Exchange difference	(482)	969
As at 31 December	11,264	13,034

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

20. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry an average interest rate of 1.00% (2017: 0.67%) per annum.

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

Notes to the Consolidated Financial Statements (Cont'd)

21. PAYABLES AND ACCRUALS

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

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

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

Included in the other payables is a dividend payable of HK\$5,240,000 (2017: HK\$6,492,000) due to a non-controlling shareholder of a subsidiary.

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

Included in the other payables are contract liabilities of HK\$12,909,000 (1 January 2018: HK\$11,369,000) relate to the advance consideration received from customers. Contract liabilities are recognised as revenue when the Group transfers the goods to the customers and therefore satisfies its performance obligation.

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

	2018 <i>HK\$'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year	11,369

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

Notes to the Consolidated Financial Statements (Cont'd)

22. BANK BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Bank loans repayable		
Within 1 year	924,000	93,135
Over 1 year but within 2 years	2,792,249	924,000
Over 2 years but within 5 years	–	2,478,073
	3,716,249	3,495,208
Analysed as:		
Secured	324,249	453,208
Unsecured	3,392,000	3,042,000
	3,716,249	3,495,208
Carrying amount analysed for reporting purpose as:		
Current	924,000	93,135
Non-current	2,792,249	3,402,073

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

	2018 HK\$'000	2017 HK\$'000
Australian dollars	160,569	191,120
New Zealand dollars	163,680	262,088
Hong Kong dollars	2,300,000	1,950,000
United States dollars	1,092,000	1,092,000
	3,716,249	3,495,208

As at 31 December 2018, the bank loans are arranged at floating rates with an effective interest rate of 2.80% (2017: 2.33%) per annum.

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

Notes to the Consolidated Financial Statements (Cont'd)

23. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Finance lease obligations payable				
Within 1 year	324	330	303	295
2 to 5 years	353	697	344	666
	677	1,027	647	961
Less: Future finance charges	(30)	(66)	–	–
Present value of finance lease obligations	647	961	647	961
Carrying amount analysed for reporting purpose as:				
Current			303	295
Non-current			344	666

The finance leases are secured on certain property, plant and equipment with average lease terms of 3-5 years.

24. OTHER BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Other borrowings repayable		
Within 1 year	–	1,100,000
Over 2 years but within 5 years	1,100,000	–
	1,100,000	1,100,000
Carrying amount analysed for reporting purpose as:		
Current	–	1,100,000
Non-current	1,100,000	–

Included in other borrowings is a loan of HK\$498.4 million from a subsidiary of a substantial shareholder of the Company, which is unsecured, bearing interest with reference to Hong Kong Interbank Offered Rate (the "HIBOR") plus a margin of 1.05% (2017: 1.08%) per annum, and is due in February 2021 (2017: February 2018).

Notes to the Consolidated Financial Statements (Cont'd)

24. OTHER BORROWINGS (CONT'D)

The remaining borrowing of HK\$601.6 million is unsecured, bearing interest with reference to HIBOR plus a margin of 1.05% (2017: 1.08%) per annum, and is due in February 2021 (2017: February 2018).

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

25. DEFERRED TAXATION

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

	Accelerated tax depreciation <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
The Group					
As at 1 January 2017	(3,044)	547,475	(446,429)	(92,038)	5,964
Arising from acquisition of a subsidiary	55,779	–	–	18,991	74,770
Charge/(credit) to profit or loss	1,040	(122,814)	98,411	63,097	39,734
Exchange difference	(1,062)	111	–	2,614	1,663
As at 1 January 2018	52,713	424,772	(348,018)	(7,336)	122,131
Charge/(credit) to profit or loss	6,129	50,053	4,458	(32,783)	27,857
Exchange difference	(1,696)	(97)	–	(6,346)	(8,139)
As at 31 December 2018	57,146	474,728	(343,560)	(46,465)	141,849

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

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Deferred tax liabilities	171,583	162,291
Deferred tax assets	(29,734)	(40,160)
	141,849	122,131

Notes to the Consolidated Financial Statements (Cont'd)

25. DEFERRED TAXATION (CONT'D)

At the end of the reporting period, the total unutilised tax losses and tax credits amounted to approximately HK\$4,048,232,000 (2017: HK\$3,861,714,000). A deferred tax asset has been recognised in respect of such losses and credits of HK\$1,249,818,000 (2017: HK\$1,262,797,000). No deferred tax asset has been recognised in respect of the remaining HK\$2,798,414,000 (2017: HK\$2,598,917,000) as it is not possible to predict the trend of future profits to determine the amount of available tax losses and credits to be utilised.

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

	2018 HK\$'000	2017 HK\$'000
Within 1 to 5 years	1,834	1,727
Over 5 years	358,521	230,356
No expiry date	2,438,059	2,366,834
	2,798,414	2,598,917

26. SHARE CAPITAL

	Number of shares of HK\$0.1 each '000	Nominal value HK\$'000
Authorised	15,000,000	1,500,000
Issued and fully paid: As at 1 January 2017, 31 December 2017 and 31 December 2018	9,611,073	961,107

27. PLEDGE OF ASSETS

Bank borrowings of HK\$324,249,000 (2017: HK\$453,208,000) are secured by mortgages over the property, plant and equipment, investment properties and intangible assets of subsidiaries with an aggregate carrying value of HK\$870,471,000 (2017: HK\$1,323,104,000) as at 31 December 2018.

Obligations under finance leases are secured by the lessors' charge over the leased assets.

Notes to the Consolidated Financial Statements (Cont'd)

28. OPERATING LEASE COMMITMENT

The leases of the Group are negotiated for a term ranging from one to one hundred and sixteen years. The minimum lease charges payable as lessee and minimum lease income receivables as lessor by the Group under non-cancellable operating leases in respect of rented properties, plants, equipment and vineyards were as follow:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
The Group as lessee		
Within 1 year	75,182	74,923
2 to 5 years	106,684	133,230
Over 5 years	22,114	29,944
	203,980	238,097

Included in the operating lease commitment is commitment of HK\$28,915,000 (2017: HK\$53,194,000) related to certain leases with a related party. Details of the transaction are disclosed in note 37 (ii).

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
The Group as lessor		
Within 1 year	154,099	145,008
2 to 5 years	532,565	532,709
Over 5 years	477,041	358,021
	1,163,705	1,035,738

29. CAPITAL COMMITMENT

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Capital commitment in respect of the acquisition of plant and equipment, and maintenance of vineyards		
– contracted but not provided for	19,193	12,718
– authorised but not contracted for	27,821	29,673

Notes to the Consolidated Financial Statements (Cont'd)

30. RETIREMENT PLANS

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

The Group's cost in respect of defined contribution plans for the year was HK\$46,887,000 (2017: HK\$48,038,000) and forfeited contribution during the year of HK\$342,000 (2017: HK\$95,000) was used to reduce the Group's contribution in the year.

Apart from those mentioned above, a subsidiary in Indonesia of the Group is subject to a defined benefit retirement plan under local labour law during the year ended 31 December 2018. The plan is unfunded without any plan assets and covering eligible employees of its subsidiary in Indonesia.

Actuarial valuation of the defined benefit plan was carried out at 31 December 2018 by Amran Nangasan, a Fellow of the Society of Actuaries of Indonesia, of PT. Kaia Magna Consulting, to determine the pension obligation that was required to be disclosed and accounted for in the consolidated financial statements in accordance with HKAS 19 "Employee Benefits". The present value of the defined benefit obligation, the related current service cost and past service cost, if any, were measured using the Projected Unit Credit Method. Discount rates and expected rate of salary increase used for the purpose of the actuarial valuation were 8.1% and 10.0%, respectively.

Notes to the Consolidated Financial Statements (Cont'd)

30. RETIREMENT PLANS (CONT'D)

Movements in net defined benefit obligations are as follows:

	Present value of defined benefit obligations <i>HK\$'000</i>
The Group	
As at 1 January 2018	–
Net charge to the consolidated income statement	
Past service cost	4,870
Current service cost	1,082
	5,952
Net charge/(credit) to other comprehensive income	
Remeasurement loss/(gain):	
Actuarial loss arising from change in financial assumption	973
Actuarial gain arising from experience adjustment	(64)
	909
Benefits paid	(332)
Exchange difference	(186)
As at 31 December 2018	6,343

The below analysis shows how the defined benefit obligation as at 31st December 2018 would have increased/ (decreased) as a result of 1 per cent change in the significant actuarial assumptions.

	Increase in 1% <i>HK\$'000</i>	Decrease in 1% <i>HK\$'000</i>
Discount rate	(416)	483
Expected rate of salary increase	450	(396)

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

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

Notes to the Consolidated Financial Statements (Cont'd)

31. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

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

Name of Director	Basic salaries and allowances		Bonuses	Retirement benefit scheme contributions	Total emoluments 2018	Total emoluments 2017
	Fees	allowances			emoluments	emoluments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors:						
Victor T K Li	75	–	–	–	75	75
Kam Hing Lam	75	–	3,750	–	3,825	3,825
Ip Tak Chuen, Edmond	75	–	2,000	–	2,075	2,075
Yu Ying Choi, Alan Abel	75	9,645	2,340	936	12,996	12,355
Toh Kean Meng, Melvin*	10	456	97	45	608	–
Chu Kee Hung*	65	2,718	–	253	3,036	5,457
Non-executive Director:						
Peter Peace Tulloch	75	–	–	–	75	75
Independent Non-executive Directors:						
Kwok Eva Lee	180	–	–	–	180	180
Kwan Kai Cheong	155	–	–	–	155	155
Colin Stevens Russel	180	–	–	–	180	180
	965	12,819	8,187	1,234	23,205	24,377

* Dr. Chu Kee Hung has retired as an Executive Director of the Company on 15 November 2018. Dr. Toh Kean Meng, Melvin has been appointed as an Executive Director of the Company with effect from 15 November 2018.

The Directors' fees included an amount of HK\$75,000 (2017: HK\$75,000) for each Director and an additional amount of HK\$80,000 (2017: HK\$80,000) and HK\$25,000 (2017: HK\$25,000) for each Independent Non-executive Director who is also a member of the audit committee and remuneration committee respectively. Such fees would be calculated in proportion to the length of services of the Directors during the year.

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

None of the Directors waived any emoluments in the year ended 31 December 2018. No incentives were paid/payable by the Group to the Directors as inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Cont'd)

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, one (2017: two) of them is Director whose emolument is disclosed in note (a) above. The emoluments of the remaining four (2017: three) are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salary and other benefits	18,289	13,430
Bonus	2,285	3,327
Retirement benefits scheme contributions	692	1,064
	21,266	17,821

Their emoluments were within the following bands:

	2018 <i>Number of employees</i>	2017 <i>Number of employees</i>
HK\$4,500,001 to HK\$5,000,000	2	–
HK\$5,500,001 to HK\$6,000,000	2	2
HK\$6,000,001 to HK\$6,500,000	–	1
	4	3

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

Notes to the Consolidated Financial Statements (Cont'd)

32. PURCHASE OF A SUBSIDIARY

Acquisition of Dominion Salt Limited (“DSL”) in 2017

The fair values of assets and liabilities acquired in the transaction were as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	455,026
Intangible assets	23,228
Inventories	71,336
Receivables and prepayments	53,922
Bank balances and deposits	9,503
Bank borrowings	(93,135)
Payables and accruals	(50,701)
Taxation	(6,507)
Deferred taxation	(74,770)
	387,902
Satisfied by:	
Cash consideration	69,732
Proceeds from the disposal of joint ventures	124,219
Reclassification from an investment in a joint venture to an investment in a subsidiary, at fair value	193,951
	387,902
Net cash outflow arising from acquisition:	
Cash consideration	69,732
Bank balances and deposits acquired	(9,503)
	60,229

In December 2017, the Group completed a transaction with certain joint venturers involving (i) an acquisition of further 50% equity interests in DSL (the “Acquisition”); and (ii) disposals of entire equity interests in two joint ventures namely Cerebos-Skellerup Limited and Salpak Proprietary Limited (the “Disposals”) (collectively the “Transaction”). The consideration of the Acquisition of approximately HK\$193,951,000 was settled by the aggregate consideration of the Disposals of approximately HK\$124,219,000 and cash consideration of approximately HK\$69,732,000. DSL is principally engaged in the business of the production and distribution of salt in New Zealand. Upon the completion of the Transaction, the Group’s interests in DSL have increased from 50% to 100% and DSL changed from a joint venture to a wholly-owned subsidiary of the Group. Details of the transaction were disclosed in the Company’s announcement dated 10 May 2017.

32. PURCHASE OF A SUBSIDIARY (CONT'D)

Acquisition of Dominion Salt Limited ("DSL") in 2017 (cont'd)

In accordance with HKFRS 3 (Revised), the carrying value of the Group's previously held interests in DSL should be remeasured at fair value as at the acquisition date through the income statement and a gain on such remeasurement of HK\$5,178,000 was recognised in the "Other income, gains and losses" in the consolidated income statement in 2017.

The fair value of receivables at the date of acquisition amounted to HK\$53,463,000, which approximates their gross contractual amounts and were not expected to be uncollectible based on the best estimation at the acquisition date.

If the Acquisition had been completed on 1 January 2017, the Group's revenue for 2017 would have been HK\$4,970,615,000 and profit for 2017 would have been HK\$309,598,000. The pro forma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

33. RISK MANAGEMENT

Capital Risk Management

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

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

The Group monitors capital on the basis of the net debt to net total capital ratio. This ratio is calculated as the Group's net borrowings divided by the aggregate of the Group's total equity and net borrowings. For this purpose, the Group defines net borrowings as total borrowings (including bank borrowings, finance lease obligations and other borrowings) less cash, bank balances and time deposits. As at 31 December 2018, the net debt to net total capital ratio of the Group is approximately 47.78% (2017: 42.79%).

Notes to the Consolidated Financial Statements (Cont'd)

33. RISK MANAGEMENT (CONT'D)

Financial Risk Management

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

(a) Credit risk

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

The Group's maximum exposure to credit risk in the event of failures of the counterparties to perform their obligations as at 31 December 2018 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position after deducting any impairment allowance.

In respect of the Group's trade and other receivables, in order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period based on the debtor's historical settlement records and management's past experience to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced. Further quantitative disclosure in respect of the group's exposure to credit risk arising from trade and other receivables is set out in note 19.

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

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

33. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(b) Liquidity risk

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

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

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

	Payables and accruals <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i> (note)	Finance lease obligations <i>HK\$'000</i>	Other borrowings <i>HK\$'000</i> (note)	Total <i>HK\$'000</i>
Year 2018					
Carrying amount	916,197	3,716,249	647	1,100,000	5,733,093
Total contractual undiscounted cash flow					
Within 1 year or on demand	916,197	1,024,684	324	36,233	1,977,438
Over 1 year but within 2 years	–	2,839,237	353	36,233	2,875,823
Over 2 years but within 5 years	–	–	–	1,103,019	1,103,019
	916,197	3,863,921	677	1,175,485	5,956,280
Year 2017					
Carrying amount	1,003,561	3,495,208	961	1,100,000	5,599,730
Total contractual undiscounted cash flow					
Within 1 year or on demand	1,003,561	173,791	330	1,102,082	2,279,764
Over 1 year but within 2 years	–	989,167	330	–	989,497
Over 2 years but within 5 years	–	2,507,172	367	–	2,507,539
	1,003,561	3,670,130	1,027	1,102,082	5,776,800

Note:

The undiscounted cash flow is projected based on the terms and balances as at 31 December 2018 and 31 December 2017 respectively without taking into account of future changes of the terms and balances. Interest rates applied for interest portion are estimated using contractual rates or, if floating, based on current interest rates as at the respective end of reporting period.

Notes to the Consolidated Financial Statements (Cont'd)

33. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(c) Interest rate risks

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

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

As most of the Group’s interest-bearing financial assets (mainly bank deposits) are based on floating rates with short interest rate reset periods, no material FVIR Risk is expected. The amounts of interest income from the abovementioned financial assets are mainly dependent on the availability of idle funds of the Group instead of interest rate and it is the Group’s policy to obtain a favorable return by shifting the idle funds between the bank deposits and investments. Details of the Group’s bank balances and deposits and investments have been disclosed in notes 20 and 17, respectively.

In respect of interest-bearing financial liabilities, the Group’s interest rate risk arises primarily from its bank and other borrowings. Most of them are based on market rates and are therefore exposed to CFIR Risk. It is the Group’s policy to keep its borrowings at floating rate of interests so as to minimise the FVIR Risk. Details of the Group’s bank and other borrowings have been disclosed in notes 22 and 24, respectively.

As at 31 December 2018, if the interest rates on the Group’s floating-rate borrowings had been 50 basis points (“bps”) higher/lower than the actual interest rates at year end with all other variables held constant, profit before taxation for the year would have been HK\$24,081,000 (2017: HK\$22,976,000) lower/higher, mainly as a result of higher/lower interest expense on such borrowings. The 50 bps increase/decrease represents the management’s assessment of a reasonably possible change in interest rates over the period until the end of next annual reporting period. The above sensitivity analysis is based on the Group’s total floating-rate borrowings of HK\$4,816,249,000 as at 31 December 2018 (2017: HK\$4,595,208,000) without considering the increases/decreases of the borrowings during the year.

33. RISK MANAGEMENT (CONT'D)

Financial Risk Management (cont'd)

(d) Currency risk

Currency risk is the risk that the value of financial instruments denominated in foreign currencies will fluctuate because of changes in foreign exchange rates. The Group has minimal exposure to foreign currency risk as most of the financial assets and liabilities held by the Group's overseas subsidiaries (except for the Group's treasury investments which are mainly denominated in Hong Kong dollars or United States dollars) are denominated in the respective functional currency of such subsidiaries. The management always monitors foreign exchange exposure closely in order to keep the currency risk at a reasonable level.

(e) Other price risk

The Group is exposed to securities price changes arising from its equity investments at fair value through profit or loss and equity investments designated at fair value through other comprehensive income (note 17).

All of the Group's trading securities and certain equity investments designated at fair value through other comprehensive income are listed on the Stock Exchange. The management manages this exposure by maintaining a portfolio of investments with different risks. Decisions to buy or sell trading securities are based on the performance of individual securities, as well as the Group's liquidity needs. All of the Group's equity investments designated at fair value through other comprehensive income are held for long term strategic purpose.

If the quoted share prices/exit value of the relevant equity investments had been 5% higher/lower, the Group's profit before taxation and other comprehensive income would be increase/decrease by HK\$579,000 (2017: HK\$818,000) and increase/decrease by HK\$6,482,000 (2017: HK\$10,845,000) respectively, as a result of changes in their fair values. The 5% increase/decrease represents the management's assessment of a reasonably possible change in share prices over the period until the end of next annual reporting period.

Notes to the Consolidated Financial Statements (Cont'd)

34. FAIR VALUE MEASUREMENTS

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Year 2018				
Financial assets designated at fair value through other comprehensive income				
Equity securities – listed in Hong Kong	10,644	–	–	10,644
Equity securities – unlisted investments	–	–	119,000	119,000
Total	10,644	–	119,000	129,644
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	11,585	–	–	11,585
Year 2017				
Financial assets designated at fair value through other comprehensive income				
Equity securities – listed in Hong Kong	14,902	–	–	14,902
Equity securities – unlisted investments	–	–	202,000	202,000
Total	14,902	–	202,000	216,902
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	16,358	–	–	16,358

During the years ended 31 December 2018 and 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

34. FAIR VALUE MEASUREMENTS (CONT'D)**(a) Financial instruments measured at fair value on a recurring basis (cont'd)****Information about Level 3 fair value measurements**

The Group's unlisted equity investments are measured at fair value. The following table gives information about how the fair value as at 31 December 2018 is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements are observable.

	Valuation techniques	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Unlisted equity investment	Replacement cost method	Estimation of exit value of the investment	Increase/decrease in exit value will result in increase/decrease in its fair value

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Year 2018				
Investment properties	–	–	1,522,092	1,522,092
Property, plant and equipment				
Salt fields	–	–	348,164	348,164
Year 2017				
Investment properties	–	–	1,318,972	1,318,972
Property, plant and equipment				
Salt fields	–	–	365,446	365,446

During the years ended 31 December 2018 and 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Notes to the Consolidated Financial Statements (Cont'd)

34. FAIR VALUE MEASUREMENTS (CONT'D)

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

Information about Level 3 fair value measurements

The following table gives information about how the fair value of the Group's major properties carried at fair value as at 31 December 2018 and 31 December 2017 is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

	Valuation techniques	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Investment properties	Income approach	Discount rates ranging from 4.5% to 10.5 % (2017: 5% to 11.25%); and	Increase/decrease in discount rate will result in decrease/increase in their fair value.
		Market rent per hectare using direct market comparables and taking into account of physical, tenancy or market characteristics related to that property, ranging from HK\$3,933 to HK\$77,970 (2017: HK\$4,224 to HK\$79,964).	Increase/decrease in the market rent per hectare will result in increase/decrease in their fair value.
Salt fields	Income approach	Discount rates ranging from 10% to 11% (2017: 10% to 13%); and	Increase/decrease in discount rate will result in decrease/increase in their fair value.
		Growth rate.	Increase/decrease in the growth rate will result in increase/decrease in their fair value.

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

34. FAIR VALUE MEASUREMENTS (CONT'D)

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

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

Details of movement in investment properties are disclosed in note 13. Fair value adjustments of investment properties are recognised in the line item "Other income, gains and losses" on the face of consolidated income statement.

The exchange adjustments of salt fields are recognised in the line item "Exchange difference arising from translation of foreign operations" on the face of consolidated statement of comprehensive income.

Details of movement in salt fields are disclosed in note 14.

Notes to the Consolidated Financial Statements (Cont'd)

35. SEGMENT INFORMATION

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

(a) Reportable segment information

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

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

Notes to the Consolidated Financial Statements (Cont'd)

35. SEGMENT INFORMATION (CONT'D)

(b) Geographical information

Revenue is analysed by the Group's sales by geographical market while the carrying amount of non-current assets is analysed by the geographical area in which the assets are located.

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

Notes :

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings <i>HK\$'000</i>	Bank and other interest payable (included in payables and accruals) <i>HK\$'000</i>	Finance lease obligations <i>HK\$'000</i>	Other borrowings <i>HK\$'000</i>	Dividends payables <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	2,670,055	1,414	1,146	1,356,000	2,411	4,031,026
Financing cash flow	716,674	(94,754)	(561)	(256,000)	(107,625)	257,734
Acquisition of a subsidiary	93,135	–	–	–	–	93,135
Finance cost recognised	–	94,227	–	–	–	94,227
Addition of finance lease	–	–	373	–	–	373
Dividend recognised as distribution	–	–	–	–	111,282	111,282
Foreign exchange movement	15,344	129	3	–	424	15,900
At 1 January 2018	3,495,208	1,016	961	1,100,000	6,492	4,603,677
Financing cash flow	234,604	(129,587)	(294)	–	(108,210)	(3,487)
Finance cost recognised	–	129,674	–	–	–	129,674
Dividend recognised as distribution	–	–	–	–	106,666	106,666
Foreign exchange movement	(13,563)	(186)	(20)	–	292	(13,477)
At 31 December 2018	3,716,249	917	647	1,100,000	5,240	4,823,053

37. RELATED PARTY TRANSACTIONS

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

- (i) The Group made sales of HK\$20,209,000 (2017: HK\$14,033,000) to Hutchison International Limited ("HIL") group. HIL is an indirect wholly-owned subsidiary of a substantial shareholder of the Company, CK Hutchison Holdings Limited.
- (ii) The Group leased certain properties from Leknarf Associates LLC ("Leknarf") which is a related company of a director of a wholly owned subsidiary company, Vitaquest International Holdings LLC. The total rental payment by the Group to Leknarf amounted to HK\$24,279,000 (2017: HK\$23,803,000).
- (iii) The Group has engaged Challenger Management Services Limited ("CMSL") as a manager of its vineyard portfolio held in Australia and New Zealand. CMSL is a fellow subsidiary of a non-controlling shareholder of a non-wholly owned subsidiary company, Belvino Investments Trust. According to the management deed, CMSL is entitled to charge the Group with management fees calculated at certain agreed ratios on the total gross income, capital acquisition costs and total assets of certain subsidiaries. During the year, management fees of HK\$4,120,000 (2017: HK\$6,321,000) were incurred.

Notes to the Consolidated Financial Statements (Cont'd)

37. RELATED PARTY TRANSACTIONS (CONT'D)

- (iv) The Group made sales of HK\$2,480,000 (2017: HK\$106,539,000) to the joint ventures of Cheetham Salt Limited, a wholly-owned subsidiary of the Group during the year.

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

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

	2018 HK\$'000	2017 HK\$'000
Non-current asset		
Investments in subsidiaries	2,523,848	2,523,848
Current assets		
Receivables and prepayments	1,055	1,064
Amounts due from subsidiaries	2,826,752	2,836,752
Bank balances and deposits	69	71
	2,827,876	2,837,887
Current liabilities		
Payables and accruals	(1,993)	(2,720)
Amounts due to subsidiaries	(1,092,673)	(976,100)
	(1,094,666)	(978,820)
Net current assets	1,733,210	1,859,067
Net assets	4,257,058	4,382,915
Share capital and reserves		
Share capital (Note 26)	961,107	961,107
Share premium and reserves	3,295,951	3,421,808
Total equity	4,257,058	4,382,915

Notes to the Consolidated Financial Statements (Cont'd)

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

The movements in share premium and reserves are as follows:

	2018 HK\$'000	2017 HK\$'000
As at 1 January	3,421,808	3,553,900
Results for the year	(29,746)	(35,981)
Dividends paid to the shareholders	(96,111)	(96,111)
As at 31 December	3,295,951	3,421,808

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The financial statements set out on pages 52 to 127 were approved and authorised for issue by the Board of Directors on 19 March 2019.

Principal Subsidiaries

APPENDIX I

The Directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and as such, the following list contains only those principal subsidiaries. They are all indirect subsidiaries.

Name	Place of incorporation	Issued ordinary share capital/ registered capital*	Effective percentage held by the Company indirectly		Principal activities
			2018	2017	
Accensi Pty Ltd	Australia	A\$100	100	100	Manufacturing and marketing of plant protection products and soluble fertilisers
Amgrow Pty Ltd	Australia	A\$1	100	100	Blending and distribution of fertilisers, manufacturing and distribution of horticultural products for the home gardening market, distribution of pesticides, and distribution of turf management products and provision of related services
Aspiring Best Limited	British Virgin Islands	US\$1	100	100	Financing
ATR Packing Services Pty Ltd	Australia	A\$100	100	100	Providing packing services
ATR Property Investments Pty Ltd	Australia	A\$100	100	100	Holding land and building
Avandia Holdings Limited	British Virgin Islands	US\$1	100	100	Investment in financial instruments
Barmac Pty Ltd	Australia	A\$7,802	100	100	Manufacturing and sale of fertilisers, pesticides and related agricultural products, the licensing of registration activities and the importation of finished agricultural goods
Belvino Investments Pty Limited	Australia	A\$1,000	72.30	72.30	Trustee
@ Belvino Investments Trust	Australia	N/A	72.26	72.26	Investment in vineyards
Biocycle Resources Limited	British Virgin Islands	US\$1	100	100	Trading of biotechnology products
Bofanti Limited	British Virgin Islands	US\$1	100	100	Investment in financial instruments
Cattleya Investment Limited	British Virgin Islands	US\$1	100	100	Financing

Principal Subsidiaries (Cont'd)

APPENDIX I (CONT'D)

Name	Place of incorporation	Issued ordinary share capital/ registered capital*	Effective percentage held by the Company indirectly		Principal activities
			2018	2017	
Cheetham Salt Limited	Australia	A\$150,405,540	100	100	Production, refining and distribution of salt products
CK Life Sciences Int'l., Inc.	British Virgin Islands	US\$1	100	100	Products commercialisation
CK Life Sciences Limited	Hong Kong	HK\$10,000,000	100	100	Applied research, production, product development and commercialisation
Cupito Limited	British Virgin Islands	US\$1	100	100	Financing
◇ Dominion Salt Limited	New Zealand	NZ\$1,800,000	100	100	Production and distribution of salt products
Equipment Solutions Pty Ltd	Australia	A\$100	100	100	Distribution of professional turf management machinery, hardware, equipment and accessories
Fertico Pty. Limited	Australia	A\$4,000,100	100	100	Blending and distribution of fertilisers
Globe Australia Pty Ltd	Australia	A\$9	100	100	Distribution of turf fertilisers and chemicals, and professional pest products
Growam Investments Pty Ltd	Australia	A\$10	100	100	Holding land and building
Joyful World Global Limited	British Virgin Islands	US\$1	100	100	Financing
Lincore Limited	British Virgin Islands	US\$1	100	100	Investment in financial instruments
Lipa Pharmaceuticals Ltd	Australia	A\$17,943,472.62	100	100	Contract manufacturing of complementary healthcare medicines and production of non-sterile prescription and over-the-counter medicines
Marigold Investments Limited	Hong Kong	HK\$1	100	100	Financing
#^ Nanjing Green Venture EcoSciences Inc.	Mainland China	US\$4,050,000*	–	100	Trading of biotechnology products
#^ Nanjing Green Vision EcoSciences Inc.	Mainland China	US\$300,000*	–	100	Trading of biotechnology products

Principal Subsidiaries (Cont'd)

APPENDIX I (CONT'D)

Name	Place of incorporation	Issued ordinary share capital/ registered capital*	Effective percentage held by the Company indirectly		Principal activities
			2018	2017	
NutriSmart Australia Pty Ltd	Australia	A\$1	100	100	Supplier of raw materials in nutritional health, pharmaceutical, cosmetics, personal care and food segments
NTAC Pty Ltd	Australia	A\$100	100	100	Holding land and building
Optigen Ingredients Pty Ltd	Australia	A\$200	100	100	Supplier of raw materials in nutritional health, pharmaceutical, cosmetics, personal care and food segments
Panform Limited	British Virgin Islands	US\$1	100	100	Investment in financial instruments
Δ Polynoma LLC	USA	N/A	100	100	Research, development, manufacturing and commercialisation of drug products to treat Melanoma
Quest Pharmaceuticals Pty Ltd	Australia	A\$100	100	100	Contract manufacturer of cosmetics and pharmaceutical products
QWIL Investments (NZ) Pty Limited	New Zealand	NZ\$1	100	100	Investment in vineyards
QWIL Investments Pty Ltd	Australia	A\$100	100	100	Investment in vineyards
Regenal Management Services Pty Limited	Australia	A\$100	100	100	Providing asset management services
Renascence Therapeutics Limited	Hong Kong	HK\$100	71	71	Provision of services in the research and development of bio-technology and life sciences technology products
Santé Naturelle A.G. Ltée	Canada	C\$4,716,310	100	100	Manufacturing, wholesaling, retailing and distribution of nutraceutical products
Turrence Limited	British Virgin Islands	US\$1	100	100	Investment in financial instruments
UTR Investments Pty Limited	Australia	A\$100	100	100	Holding land and building

Principal Subsidiaries (Cont'd)

APPENDIX I (CONT'D)

Name	Place of incorporation	Issued ordinary share capital/ registered capital*	Effective percentage held by the Company indirectly		Principal activities
			2018	2017	
Vital Care Hong Kong Limited	Hong Kong	HK\$2	100	100	Trading of biotechnology products and nutritional supplements
Δ Vitaquest International Holdings LLC	USA	N/A	100	97.24	Supply and manufacturing of nutritional supplements
Wealth Target Development Inc.	British Virgin Islands	US\$1	100	100	Investment in financial instruments
Wex Pharmaceuticals Inc.	Canada	C\$107,520,175	100	100	Research, development, manufacturing and commercialisation of innovative drug products to treat pain

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

Principal Subsidiaries (Cont'd)

APPENDIX I (CONT'D)

The principal areas of operations of the companies above were the same as the place of incorporation except the following:

Name	Area of operations
Aspiring Best Limited	Asia
Avandia Holdings Limited	Asia
Biocycle Resources Limited	Australia, Asia and America
Bofanti Limited	Asia and Europe
Cattleya Investment Limited	Asia
CK Life Sciences Int'l., Inc.	Australia, Asia, Europe and America
Cupito Limited	Asia
Joyful World Global Limited	Asia
Lincore Limited	Europe
Turrence Limited	Asia
Wealth Target Development Inc.	Asia

@ There are total 237,510,328 ordinary units issued under Belvino Investments Trust, in which 171,617,773 units are held by the Group.

Foreign investment enterprise registered in Mainland China.

△ Polynoma LLC and Vitaquest International Holdings LLC did not have any issued or registered capital. However, the Company held 100% (2017: 100%) and 100% (2017: 97.24%) interest in their common voting rights respectively.

◇ Dominion Salt Limited changed from a joint venture to a subsidiary of the Group during the year ended 31 December 2017.

^ Nanjing Green Venture EcoSciences Inc. and Nanjing Green Vision EcoSciences Inc. were de-registered during the year ended 31 December 2018.

Principal Joint Venture

APPENDIX II

Name	Effective percentage of capital held by the Company indirectly		Principal activities	Place of operation
	2018	2017		
Western Salt Refinery Pty Ltd	50	50	Production and distribution of salt products	Australia

Schedule of Major Investment Properties

APPENDIX III

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

Corporate Governance Report

The Board of Directors (“Board”) and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders’ value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

The Company had applied the principles and complied with all code provisions (except as stated below) and, where applicable, the recommended best practices of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the year ended 31 December 2018. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company did not have a nomination committee during the year 2018. During the year, the full Board was responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it had a balanced and diversified composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole was also responsible for reviewing the succession plan for the Directors, in particular the positions of Chairman and Chief Executive Officer.

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

I. CODE PROVISIONS

Code Ref.	Code Provisions	Comply (“C”)/ Explain (“E”)	Corporate Governance Practices																										
A.	DIRECTORS																												
A.1	The Board Corporate Governance Principle <i>The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company’s affairs.</i> <i>The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.</i>																												
A.1.1	Regular board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of majority of directors.	C	<ul style="list-style-type: none"> The Board meets regularly and held meetings in March, May, July and October of 2018. Directors’ attendance records in 2018 are as follows: <table border="1"> <thead> <tr> <th>Members of the Board</th> <th>Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2">Executive Directors</td> </tr> <tr> <td>Victor T K LI (<i>Chairman</i>)</td> <td>3/4</td> </tr> <tr> <td>KAM Hing Lam (<i>President and Chief Executive Officer</i>)</td> <td>4/4</td> </tr> <tr> <td>IP Tak Chuen, Edmond</td> <td>4/4</td> </tr> <tr> <td>YU Ying Choi, Alan Abel</td> <td>4/4</td> </tr> <tr> <td>TOH Kean Meng, Melvin*</td> <td>N/A</td> </tr> <tr> <td>CHU Kee Hung**</td> <td>4/4</td> </tr> <tr> <td colspan="2">Non-executive Directors</td> </tr> <tr> <td>Peter Peace TULLOCH (<i>Non-executive Director</i>)</td> <td>4/4</td> </tr> <tr> <td>KWOK Eva Lee (<i>Independent Non-executive Director</i>)</td> <td>4/4</td> </tr> <tr> <td>Colin Stevens RUSSEL (<i>Independent Non-executive Director</i>)</td> <td>4/4</td> </tr> <tr> <td>KWAN Kai Cheong (<i>Independent Non-executive Director</i>)</td> <td>4/4</td> </tr> </tbody> </table> <p>* Appointed as an Executive Director with effect from 15 November 2018. ** Retired as an Executive Director with effect from 15 November 2018.</p> <ul style="list-style-type: none"> The Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors (if applicable) or proxies in accordance with the Company’s Articles of Association. An updated and consolidated version of the Company’s Memorandum and Articles of Association (both English and Chinese versions) are available on the websites of the Company and Hong Kong Exchanges and Clearing Limited (“HKEx”). There are no significant changes in the Company’s constitutional documents during the year 2018. 	Members of the Board	Attendance	Executive Directors		Victor T K LI (<i>Chairman</i>)	3/4	KAM Hing Lam (<i>President and Chief Executive Officer</i>)	4/4	IP Tak Chuen, Edmond	4/4	YU Ying Choi, Alan Abel	4/4	TOH Kean Meng, Melvin*	N/A	CHU Kee Hung**	4/4	Non-executive Directors		Peter Peace TULLOCH (<i>Non-executive Director</i>)	4/4	KWOK Eva Lee (<i>Independent Non-executive Director</i>)	4/4	Colin Stevens RUSSEL (<i>Independent Non-executive Director</i>)	4/4	KWAN Kai Cheong (<i>Independent Non-executive Director</i>)	4/4
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Corporate Governance Report (Cont'd)

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

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")																			
			Corporate Governance Practices																		
A.1.7	<ul style="list-style-type: none"> – If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. – Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. 	C	<ul style="list-style-type: none"> • Important matters are usually dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors) can note and comment, as appropriate, the matters before approval is granted. • Director must declare his/her interest in the matters to be passed in the resolution, if applicable. • If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter. 																		
A.1.8	Arrange appropriate insurance cover in respect of legal action against the directors	C	<ul style="list-style-type: none"> • The Company has arranged appropriate Directors and Officers liability insurance coverage for its Directors and officers since 2002 including the year 2018/2019. 																		
A.2	<p>Chairman and Chief Executive Corporate Governance Principle</p> <p><i>There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer of the Company to ensure a balance of power and authority.</i></p>																				
A.2.1	<ul style="list-style-type: none"> – Separate roles of chairman and chief executive not to be performed by the same individual – Division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. 	C	<ul style="list-style-type: none"> • The positions of Chairman and Chief Executive Officer are currently held by separate individuals. • The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. • The Chief Executive Officer, with the support of the Executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group. 																		
A.2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	C	<ul style="list-style-type: none"> • With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. • In addition to regular Board meetings, the Chairman met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and October of 2018. Attendance records of the meetings are as follows: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 20%;">Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2">Chairman</td> </tr> <tr> <td>Victor T K LI</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td colspan="2">Non-executive Director</td> </tr> <tr> <td>Peter Peace TULLOCH</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td colspan="2">Independent Non-executive Directors</td> </tr> <tr> <td>KWOK Eva Lee</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>KWAN Kai Cheong</td> <td style="text-align: right;">2/2</td> </tr> </tbody> </table>		Attendance	Chairman		Victor T K LI	2/2	Non-executive Director		Peter Peace TULLOCH	2/2	Independent Non-executive Directors		KWOK Eva Lee	2/2	Colin Stevens RUSSEL	2/2	KWAN Kai Cheong	2/2
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Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.3	The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.	C	<ul style="list-style-type: none"> • The Board papers including supporting analysis and related background information are normally sent to the Directors at least three days before Board meetings. • Communications between Non-executive Directors (including Independent Non-executive Directors) on the one hand, and the Company Secretary as co-ordinator for the other business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and further supporting information and/or documentation is provided as appropriate.
A.2.4	<ul style="list-style-type: none"> – The chairman to provide leadership for the board – The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. – The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. He should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary. 	C C C	<ul style="list-style-type: none"> • The Chairman is an Executive Director who is responsible for the leadership and effective running of the Board. • The Chairman determines the broad strategic direction of the Group in consultation with the Board and is responsible for the high-level oversight of management. • The Board meets regularly and held meetings in March, May, July and October of 2018. • With the support of the Executive Directors and the Company Secretary, the Chairman ensures that all Directors are properly briefed on all key and appropriate issues in a timely manner. • The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda; and that all applicable rules and regulations are followed.
A.2.5	The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.	C	<ul style="list-style-type: none"> • The Board as a whole and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.
A.2.6	<ul style="list-style-type: none"> – The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the company. – The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus. 	C C	<ul style="list-style-type: none"> • Please refer to A.2.3 and A.2.4 above for the details.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.2.7	The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	C	<ul style="list-style-type: none"> In addition to regular Board meetings, the Chairman met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors in May and October of 2018. Please refer to A.2.2 above for the attendance records.
A.2.8	The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.	C	<ul style="list-style-type: none"> The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose to receive such documents using electronic means through the Company's website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; (v) press conferences and briefing meetings with analysts are arranged from time to time, where applicable, to update on the performance of the Group; (vi) the Company's Branch Share Registrar deals with shareholders for share registration and related matters; and (vii) the Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally. In March 2012, the Board has established a shareholders communication policy and has made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness.
A.2.9	The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.	C	<ul style="list-style-type: none"> The Chairman promotes a culture of openness and actively encourages Directors with different views to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's functions.
A.3	Board composition Corporate Governance Principle <i>The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.</i>		
A.3.1	Independent non-executive directors should be identified in all corporate communications that disclose the names of directors.	C	<ul style="list-style-type: none"> The composition of the Board, by category and position of Directors including the names of the Chairman, the Executive Directors, the Non-executive Director and the Independent Non-executive Directors, is disclosed in all corporate communications. The Board consists of a total of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. Details of the composition of the Board are set out on page 178. The Directors' biographical information and the relationships among the Directors are set out on pages 28 to 30. Review of the Board composition is made regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Corporate Governance Report (Cont'd)

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

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
<p>A.5.1 – A.5.4 (cont'd)</p>	<p>– It should perform the following duties:</p> <p>(a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the company's corporate strategy;</p> <p>(b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;</p> <p>(c) assess the independence of independent non-executive directors; and</p> <p>(d) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.</p> <p>– The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on HKEx's website and the company's website.</p> <p>– The company should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the company's expense, to perform its responsibilities.</p>		<ul style="list-style-type: none"> • During the year, the full Board was responsible for reviewing the structure, size and composition of the Board from time to time to ensure that it had a balanced and diversified composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole was also responsible for reviewing the succession plan for the Directors, in particular the position of Chairman and Chief Executive Officer. • The Company adopts a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-executive Directors) are sought. After considering the proposal for the appointment of a new Director, the Board as a whole will make the final decision. • The Board as a whole was responsible for assessing the independence of the Independent Non-executive Directors according to the relevant rules and requirements under the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines. • The Company established its nomination committee ("Nomination Committee") on 1 January 2019 which comprises all the Directors of the Company, and the Chairman of the Board is the Chairman of the Nomination Committee. When the need to select, nominate or re-elect Directors arises, a sub-committee will be established comprising members from the Nomination Committee in compliance with the requirements under the Listing Rules in relation to the composition of the Nomination Committee. The terms of reference of the Nomination Committee (both English and Chinese versions) are posted on the websites of the Company and HKEx. Also, a Director Nomination Policy was adopted with effect from January 2019.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.5.5	Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting: why they believe he should be elected and the reasons why they consider him to be independent.	C	<ul style="list-style-type: none"> • Please refer to A.4.3 above for the details.
A.5.6	The nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the Corporate Governance Report.	C	<ul style="list-style-type: none"> • In August 2013, the Company has established a policy concerning diversity of Board members ("Board Diversity Policy") and has made it available on the Company's website. • In the Board Diversity Policy: <ol style="list-style-type: none"> 1. The Company recognises the benefits of having a Board that has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's businesses. 2. The Company maintains that appointments to the Board should be based on merit that complements and expands the skills and experience of the Board as a whole, and after due regard to factors which include but not limited to gender, age, cultural and educational background, and/or professional experience, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board. 3. The full Board of the Company is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors of the Company from time to time to ensure that it has a balanced composition of skills and experience appropriate to the requirements of the Company's businesses, with due regard to the benefits of diversity on the Board. The Board as a whole is also responsible for reviewing the succession plan for the Directors of the Company, in particular, for the Chairman and the Chief Executive Officer. • Selection of Board members is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other factors that the Board may consider relevant and applicable from time to time. The ultimate decision is based on merit and contribution that the selected Board members could bring to the Board. • The Board has, from time to time, reviewed and monitored the implementation of the policy to ensure its effectiveness. It will at appropriate time set measurable objectives for achieving diversity on the Board. • The Board Diversity Policy has been modified since January 2019 to follow closely the requirements of the Listing Rules. • In January 2019, the Company has also established a Director Nomination Policy setting out the approach and procedures for the nomination and selection of directors and has made it available on the Company's website.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6	Responsibilities of directors Corporate Governance Principle <i>Every Director must always know his responsibilities as a Director of the Company and its conduct, business activities and development.</i>		
A.6.1	Every newly appointed director of the company should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the company's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the company's business and governance policies.	C	<ul style="list-style-type: none"> • The Company Secretary and key officers of the Company Secretarial Department liaise closely with newly appointed Directors both immediately before and after his/her appointment to acquaint them with the duties and responsibilities as a Director of the Company and the business operation of the Company. • A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules and relevant regulatory requirements is provided to each newly appointed Director. Further information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors have also been forwarded to each Director for his/her information and ready reference. • During the year, the Company had arranged at the cost of the Company, Directors' seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Attendance certificates would be issued to Directors who had attended the seminar sessions and requested the said certificates. • In addition, the Company has from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors.
A.6.2	<p>The functions of non-executive directors include:</p> <ul style="list-style-type: none"> – bring independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings – take the lead on potential conflicts of interests – serve on the audit, remuneration, nomination and other governance committees, if invited – scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting 	<p style="margin-left: 40px;">C</p> <p style="margin-left: 40px;">C</p> <p style="margin-left: 40px;">C</p>	<ul style="list-style-type: none"> • The Non-executive Directors exercise their independent judgement and advise on the future business direction and strategic plans of the Company. • The Non-executive Directors review the financial information and operational performance of the Company on a regular basis. • The Independent Non-executive Directors are invited to serve on the Audit Committee and Remuneration Committee of the Company. • All Non-executive Directors are also invited to serve as members of the Nomination Committee of the Company with effect from 1 January 2019.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.6.3	Every director should ensure that he can give sufficient time and attention to the company's affairs and should not accept the appointment if he cannot do so.	C	<ul style="list-style-type: none"> • There is satisfactory attendance at Board meetings during the year. Please refer to A.1.1 above for the attendance records. • Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her area of knowledge and expertise, and his/her global perspective.
A.6.4	The board should establish written guidelines no less exacting than the Model Code for relevant employees.	C	<ul style="list-style-type: none"> • The Company had adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 8 September 2008 for replacing the comparable model code adopted by the Company while it was listed on the Growth Enterprise Market of the Stock Exchange. The Model Code has been revised and adopted by the Company from time to time to comply with the new requirements set out in Appendix 10 to the Listing Rules. • Confirmation has been received from all Directors that they complied with the required standards set out in the Model Code for the year ended 31 December 2018. • Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Human Resources Manual of the Company. • Since December 2011, the Company has established a policy on handling of confidential and price-sensitive information, and securities dealing for all employees of the Group to comply with when they are in possession of confidential or unpublished price-sensitive information in relation to the Group. Such policy has since been revised to comply with the requirements set out in Part XIVA of the Securities and Futures Ordinance. Such revised policy has been posted on the Company's intranet and disseminated to all employees of the Company.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices																										
A.6.5	All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.	C	<ul style="list-style-type: none"> • A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules and relevant regulatory requirements is provided to each newly appointed Director. Further information package comprising the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors will be forwarded to each Director from time to time for his/her information and ready reference. Guidelines for directors have also been forwarded to each Director for his/her information and ready reference. • In addition, the Company has from time to time provided information and briefings to Directors on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had also, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as directors. • The Directors have provided to the Company their records of continuous professional development during the year 2018. • During the year, the Company had arranged at the cost of the Company, Directors' seminar sessions conducted by qualified professionals experienced on topics relating to the roles, functions and duties of the Directors. Attendance certificates would be issued to Directors who had attended the seminar sessions and requested the said certificates. Directors have also participated in continuous professional training organised by professional bodies and/or government authorities. <p>The Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:</p> <ol style="list-style-type: none"> (1) Reading memoranda issued or materials provided (for example, in-house directors' seminar) from time to time by the Company to Directors, and as applicable, briefings and reports by the Company Secretary, as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties with the latest developments in public consultations, laws, rules and regulations relating to the duties and responsibilities of directors and corporate governance; (2) Participation in continuous professional training seminars/conferences/courses/workshops on subjects relating to directors' duties and corporate governance, etc. organised by the Company and/or professional bodies and/or government authorities; and (3) Reading news/journal/magazine/other reading materials as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties. <ul style="list-style-type: none"> • Records of the Directors' training during 2018 are as follows: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Members of the Board</th> <th style="text-align: right; border-bottom: 1px solid black;">Training received</th> </tr> </thead> <tbody> <tr> <td colspan="2">Executive Directors</td> </tr> <tr> <td>Victor T K LI (<i>Chairman</i>)</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>KAM Hing Lam (<i>President and Chief Executive Officer</i>)</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>IP Tak Chuen, Edmond</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>YU Ying Choi, Alan Abel</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>TOH Kean Meng, Melvin*</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>CHU Kee Hung**</td> <td style="text-align: right;">N/A</td> </tr> <tr> <td colspan="2">Non-executive Directors</td> </tr> <tr> <td>Peter Peace TULLOCH (<i>Non-executive Director</i>)</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>KWOK Eva Lee (<i>Independent Non-executive Director</i>)</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>Colin Stevens RUSSEL (<i>Independent Non-executive Director</i>)</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> <tr> <td>KWAN Kai Cheong (<i>Independent Non-executive Director</i>)</td> <td style="text-align: right;">(1), (2) & (3)</td> </tr> </tbody> </table> <p>* Appointed as an Executive Director with effect from 15 November 2018. ** Retired as an Executive Director with effect from 15 November 2018.</p>	Members of the Board	Training received	Executive Directors		Victor T K LI (<i>Chairman</i>)	(1), (2) & (3)	KAM Hing Lam (<i>President and Chief Executive Officer</i>)	(1), (2) & (3)	IP Tak Chuen, Edmond	(1), (2) & (3)	YU Ying Choi, Alan Abel	(1), (2) & (3)	TOH Kean Meng, Melvin*	(1), (2) & (3)	CHU Kee Hung**	N/A	Non-executive Directors		Peter Peace TULLOCH (<i>Non-executive Director</i>)	(1), (2) & (3)	KWOK Eva Lee (<i>Independent Non-executive Director</i>)	(1), (2) & (3)	Colin Stevens RUSSEL (<i>Independent Non-executive Director</i>)	(1), (2) & (3)	KWAN Kai Cheong (<i>Independent Non-executive Director</i>)	(1), (2) & (3)
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Corporate Governance Report (Cont'd)

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

Corporate Governance Report (Cont'd)

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

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices								
B.1.2	<p>The remuneration committee's terms of reference should include:</p> <ul style="list-style-type: none"> – recommend to the board on the company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy – review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives – either to determine, with delegated responsibility, or to make recommendations to the board on the remuneration packages of individual executive directors and senior management – recommend to the board on the remuneration of non-executive directors – consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group – review and approve compensation payable on loss or termination of office or appointment – review and approve compensation arrangements relating to dismissal or removal of directors for misconduct – ensure that no director or any of his associates is involved in deciding his own remuneration 	C	<ul style="list-style-type: none"> • The Company established its remuneration committee ("Remuneration Committee") on 1 January 2005. A majority of the members are Independent Non-executive Directors. • The Remuneration Committee comprises the Chairman, 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. • The terms of reference of the Remuneration Committee (both English and Chinese versions) follow closely the requirements of the CG Code. The same as modified from time to time and adopted by the Board, are posted on the websites of the Company and HKEx. • The Remuneration Committee, with delegated responsibility, determines the remuneration packages of individual Executive Directors and senior management, and reviews the remuneration of Non-executive Directors. • Since the publication of the Annual Report 2017 in April 2018, meeting of the Remuneration Committee was held in January 2019. Attendance record of the members of the Remuneration Committee is as follows: <table border="1" data-bbox="711 868 1471 981"> <thead> <tr> <th data-bbox="711 868 1338 895">Members of the Remuneration Committee</th> <th data-bbox="1338 868 1471 895">Attendance</th> </tr> </thead> <tbody> <tr> <td data-bbox="711 895 1338 923">KWOK Eva Lee (<i>Chairman of the Remuneration Committee</i>)</td> <td data-bbox="1338 895 1471 923">1/1</td> </tr> <tr> <td data-bbox="711 923 1338 951">Victor T K LI</td> <td data-bbox="1338 923 1471 951">1/1</td> </tr> <tr> <td data-bbox="711 951 1338 978">Colin Stevens RUSSEL</td> <td data-bbox="1338 951 1471 978">1/1</td> </tr> </tbody> </table> • The following is a summary of the work of the Remuneration Committee during the said meetings: <ol style="list-style-type: none"> 1. Review the remuneration policy for 2018/2019; 2. Recommend to the Board the Company's policy and structure for the remuneration of Directors and the management; 3. Review the remuneration packages of Executive Directors and the management with reference to the established system of the Company for determining the remuneration review; 4. Review and approve the remuneration of Non-executive Directors; and 5. Review the annual bonus policy. • No Director or any of his/her associates was involved in deciding his/her own remuneration at the meetings of the Remuneration Committee held in January 2019. 	Members of the Remuneration Committee	Attendance	KWOK Eva Lee (<i>Chairman of the Remuneration Committee</i>)	1/1	Victor T K LI	1/1	Colin Stevens RUSSEL	1/1
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B.1.3	<p>The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on HKEx's website and the company's website.</p>	C	<ul style="list-style-type: none"> • The terms of reference of the Remuneration Committee are posted on the websites of the Company and HKEx. • The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and the management, and reviewing the remuneration packages of all Executive Directors and the management with reference to the corporate goals and objectives of the Board resolved from time to time. 								

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
B.1.4	The remuneration committee should be provided with sufficient resources to perform its duties.	C	<ul style="list-style-type: none"> The Human Resources & Administration Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.
B.1.5	The company should disclose details of any remuneration payable to members of senior management by band in the annual reports.	C	<ul style="list-style-type: none"> The Board has resolved that the senior management of the Company comprises only the Executive Directors of the Company. Please refer to note 31 in the Notes to the Consolidated Financial Statements for details of the remuneration payable to the Directors.
C. ACCOUNTABILITY AND AUDIT			
C.1 Financial reporting			
Corporate Governance Principle			
<i>The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.</i>			
C.1.1	Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.	C	<ul style="list-style-type: none"> Directors are provided with a review of the Group's major business activities and key financial information on a quarterly basis.
C.1.2	Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties.	C	<ul style="list-style-type: none"> Monthly updates had been provided to all members of the Board since April 2012, the effective date of code provision C.1.2, for the purpose of providing a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.1.3	<ul style="list-style-type: none"> – The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. – There should be a statement by the auditors about their reporting responsibilities in the auditor's report on the financial statements. – Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. – Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. 	<p>C</p> <p>C</p> <p>C</p> <p>N/A</p>	<ul style="list-style-type: none"> • The Directors acknowledged in writing on an annual basis their responsibility for preparing the financial statements of the Group. • Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.3 of the CG Code. • With the assistance of the Company's Finance Department which is under the supervision of the Vice President, Finance who is a professional accountant, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. • The Directors also ensure the publication of the financial statements of the Group is in a timely manner. • The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on from page 46 to 51.
C.1.4	The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the company's objectives.	C	<ul style="list-style-type: none"> • The Board has included the separate statement containing a discussion and analysis of the Group's Long Term Development Strategy in the Annual Report 2018.
C.1.5	The board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.	C	<ul style="list-style-type: none"> • The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications. • The Board is aware of and updated with the requirements under the applicable rules and regulations about timely disclosure of inside information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary and key officers of the Company Secretarial Department work closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.

Corporate Governance Report (Cont'd)

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

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.2.2	The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the company's accounting, internal audit and financial reporting functions.	C	<ul style="list-style-type: none"> • The Board, through the Audit Committee and with the appraisal performed by the Internal Audit Department, reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions at the Board meeting held in March 2019 and noted that the Company has been in compliance with the Code Provision for the year 2018. Please also refer to C.3.3 below.
C.2.3	<p>The board's annual review should, in particular, consider:</p> <p>(a) the changes, since the last annual review, in the nature and extent of significant risks, and the company's ability to respond to changes in its business and the external environment;</p> <p>(b) the scope and quality of management's ongoing monitoring of risks and of the internal control system, and where applicable, the work of its internal audit function and other assurance providers;</p> <p>(c) the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the company and the effectiveness of risk management;</p> <p>(d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the company's financial performance or condition; and</p> <p>(e) the effectiveness of the company's processes for financial reporting and Listing Rule compliance.</p>	<p>C</p> <p>C</p> <p>C</p> <p>C</p> <p>C</p>	<ul style="list-style-type: none"> • The Board, through the Audit Committee, reviews annually the effectiveness of risk management and internal control systems of the Company and its subsidiaries, such review considers: <ul style="list-style-type: none"> – the changes in the significant risks since the last review, and the Company's ability to respond to changes in its business and the external environment; – the management's ongoing monitoring of risks and the system of internal control, and the work of the internal audit function; – the communication of the monitoring results to the Board that enables it to build up a cumulative assessment of the state of control in the Company and the effectiveness of the risk management; – any incidence of significant control failings or weaknesses identified and the extent to which they have caused unforeseeable outcomes or contingencies that had or might have material impact on the Company's financial performance or condition; and – the effectiveness of the Company's processes relating to financial reporting and Listing Rules compliance.

Corporate Governance Report (Cont'd)

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

Corporate Governance Report (Cont'd)

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

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices								
C.2.5	The company should have an internal audit function. The company without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.	C	<ul style="list-style-type: none"> Internal audit function is in place; please refer to C.2.1 above for details. 								
C.3	<p>Audit Committee</p> <p>Corporate Governance Principle</p> <p><i>The Board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditors.</i></p>										
C.3.1	<ul style="list-style-type: none"> Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes should be sent to all committee members for their comment and records, within a reasonable time after the meeting. 	C C	<ul style="list-style-type: none"> Minutes drafted by the Company Secretary are circulated to members of the Audit Committee within a reasonable time after each meeting. Audit Committee meetings were held in March and July of 2018. Attendance records of members of the Audit Committee are as follows: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Members of the Audit Committee</th> <th style="text-align: right;">Attendance</th> </tr> </thead> <tbody> <tr> <td>KWAN Kai Cheong (<i>Chairman of the Audit Committee</i>)</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>KWOK Eva Lee</td> <td style="text-align: right;">2/2</td> </tr> <tr> <td>Colin Stevens RUSSEL</td> <td style="text-align: right;">2/2</td> </tr> </tbody> </table> The following is a summary of the work of the Audit Committee during 2018: <ol style="list-style-type: none"> Review the financial reports for 2017 annual results and 2018 interim results; Review the findings and recommendations of the Internal Audit Department on the work of various divisions/departments and related companies; Review the effectiveness of the risk management and internal control systems; Review the external auditor's audit findings; Review the auditor's remuneration; Review the risks of different business units and analysis thereof provided by the relevant business units; Review the control mechanisms for such risks and advising on action plans for improvement of the situations; Review the arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and Perform the corporate governance functions and review the corporate governance policies and practices. After due and careful consideration of reports from management and the internal and external auditors, the Audit Committee noted that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found, and concluded at the meeting held on 19 March 2019 that the risk management and internal control systems were adequate and effective. 	Members of the Audit Committee	Attendance	KWAN Kai Cheong (<i>Chairman of the Audit Committee</i>)	2/2	KWOK Eva Lee	2/2	Colin Stevens RUSSEL	2/2
Members of the Audit Committee	Attendance										
KWAN Kai Cheong (<i>Chairman of the Audit Committee</i>)	2/2										
KWOK Eva Lee	2/2										
Colin Stevens RUSSEL	2/2										

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.3.1 (cont'd)			<ul style="list-style-type: none"> • On 19 March 2019, the Audit Committee met to review the Group's 2018 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor. After review and discussions with the management, internal auditor and external auditor, the Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in the Annual Report 2018 complied with the applicable accounting standards and Appendix 16 to the Listing Rules. The Audit Committee therefore resolved to recommend for the Board's approval the consolidated financial statements for the year ended 31 December 2018. • The Audit Committee also recommended to the Board the re-appointment of Messrs. Deloitte Touche Tohmatsu ("Deloitte") as the Company's external auditor for 2019 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2019 annual general meeting. • The Group's Annual Report 2018 has been reviewed by the Audit Committee.
C.3.2	A former partner of existing auditing firm shall not act as a member of the audit committee for 1 year from the date of his ceasing to be a partner of or to have any financial interest in, the firm, whichever is later.	C	<ul style="list-style-type: none"> • No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm. • The terms of reference of the Audit Committee were revised with effect from 1 January 2019 to comply with the new requirement under the Listing Rules for prohibiting a former partner of the Company's existing auditing firm from acting as a member of Audit Committee for a period of two years from the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.
C.3.3	<p>The audit committee's terms of reference should include:</p> <ul style="list-style-type: none"> – recommendations to the board on the appointment, reappointment and removal of external auditor and approval of their terms of engagement; – review and monitor external auditor's independence and objectivity and effectiveness of audit process; – review of the company's financial information; and – oversight of the company's financial reporting system, risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the company's accounting and financial reporting function. 	C	<ul style="list-style-type: none"> • The terms of reference of the Audit Committee (both English and Chinese versions), which follow closely the requirements of the CG Code and are modified from time to time and adopted by the Board, are posted on the websites of the Company and HKEx.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
C.3.4	The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on HKEx's and the company's website.	C	<ul style="list-style-type: none"> • 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 with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. • In accordance with the requirements of the CG Code, the terms of reference of the Audit Committee are revised from time to time in terms substantially the same as the provisions set out in the CG Code. The latest version of the terms of reference of the Audit Committee is available on the websites of the Company and HKEx. • 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. Regular meetings have been held by the Audit Committee since its establishment. • 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 Audit Committee held two meetings in 2018.
C.3.5	Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	N/A	<ul style="list-style-type: none"> • The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte be re-appointed as the Company's external auditor for 2019. • For the year ended 31 December, 2018 the external auditor of the Company received approximately HK\$13,537,000 for audit services and approximately HK\$2,934,000 for non-audit services, comprising tax compliance and advisory services of approximately HK\$2,779,000 and other services of approximately HK\$155,000.
C.3.6	The audit committee should be provided with sufficient resources to perform its duties.	C	<ul style="list-style-type: none"> • The Audit Committee has been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the Audit Committee.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	
			Corporate Governance Practices
C.3.7	<p>The terms of reference of the audit committee should also require it:</p> <ul style="list-style-type: none"> – to review arrangements employees of the company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and – to act as the key representative body for overseeing the company's relations with the external auditor. 	<p>C</p> <p>C</p>	<ul style="list-style-type: none"> • The terms of reference of the Audit Committee were revised with effect from 1 January 2012 to include the requirement to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. • The Company has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters for employees and those who deal with the Group to raise concerns, in confidence, with the Audit Committee about possible improprieties in matters of financial reporting, internal control or other matters relating to the Group. Such procedures are included into the Company's Human Resources Manual and posted on the Company's website. • The Company has issued a Human Resources Manual to its staff, which contains the mechanism for employees to raise any issues they may have to their department heads and to the Human Resources & Administration Department for necessary action (whether these relate to their career development or any other grievances and complaints they may have).
D. DELEGATION BY THE BOARD			
D.1 Management functions			
Corporate Governance Principle			
<i>The Company should have a formal schedule of matters specifically reserved for Board approval and those delegated to management.</i>			
D.1.1	<p>When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the company's behalf.</p>	C	<ul style="list-style-type: none"> • Executive Directors are in charge of different businesses and functional divisions in accordance with their respective areas of expertise. • Please refer to the Management Structure Chart set out on page 162. • For matters or transactions of a material nature, the same will be referred to the Board for approval. • For matters or transactions of a magnitude requiring disclosure under the Listing Rules or other applicable rules or regulations, appropriate disclosure will be made and where necessary, circular will be prepared and shareholders' approval will be obtained in accordance with the requirements of the applicable rules and regulations.
D.1.2	<p>Formalise functions reserved to the board and those delegated to management and to review those arrangements periodically to ensure that they remain appropriate to the company's needs.</p>	C	<ul style="list-style-type: none"> • The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. • Under the leadership of the Chief Executive Officer, management is responsible for the day-to-day operations of the Group.
D.1.3	<p>The company should disclose the respective responsibilities, accountabilities and contributions of the board and management.</p>	C	<ul style="list-style-type: none"> • Please refer to the Management Structure Chart set out on page 162.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
D.1.4	Directors should clearly understand delegation arrangements in place. The company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.	C	<ul style="list-style-type: none"> In February 2012, formal letters of appointment have been issued to all Directors setting out the key terms and conditions of their respective appointment. Each newly appointed Director will also be issued with a letter of appointment.
D.2 Board Committees Corporate Governance Principle <i>Board Committees should be formed with specific written terms of reference which deal clearly with their authority and duties.</i>			
D.2.1	Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.	C	<ul style="list-style-type: none"> Two Board Committees, namely, Audit Committee and Remuneration Committee, have been established with specific terms of reference as mentioned in C.3.3 and B.1.3 above. The Nomination Committee has been established with specific terms of reference with effect from 1 January 2019.
D.2.2	The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	C	<ul style="list-style-type: none"> Board Committees report to the Board of their decisions and recommendations at the Board meetings.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
D.3 Corporate Governance Functions			
D.3.1	<p>The terms of reference of the board (or a committee or committees performing this function) should include:</p> <ul style="list-style-type: none"> – develop and review the company's policies and practices on corporate governance and make recommendations to the board; – review and monitor the training and continuous professional development of directors and senior management; – review and monitor the company's policies and practices on compliance with legal and regulatory requirements; – develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and – review the company's compliance with the CG Code and disclosure in the Corporate Governance Report. 	C	<ul style="list-style-type: none"> • The terms of reference of the Audit Committee were revised with effect from 1 January 2012 to include the following corporate governance functions delegated by the Board: <ol style="list-style-type: none"> 1. Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; 2. Review and monitor the training and continuous professional development of Directors and senior management; 3. Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; 4. Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and 5. Review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. • At the Audit Committee's meeting held in March 2019, the Audit Committee was satisfied that the above-mentioned corporate governance functions were adhered to, and members of the Audit Committee had examined the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements, including: <ol style="list-style-type: none"> (a) Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing; (b) Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters; (c) Shareholders Communication Policy; (d) Media and Public Engagement policy; (e) Model Code for Securities Transactions by Directors; (f) Board Diversity Policy (updated in January 2019); (g) Director Nomination Policy (with effect from January 2019); and (h) Dividend Policy (with effect from January 2019). • The Company adopted the Dividend Policy with effect from January 2019 whereby the Board is committed to maintaining an optimal capital structure. This is pursued to deliver returns to shareholders and ensure that adequate capital resources are available for business growth and investment opportunities. Subject to business conditions, and market opportunities, the Board aims to deliver a sustainable dividend that is in line with the earnings improvements and long-term growth of the Company.
D.3.2	<p>The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 or it may delegate the responsibility to a committee or committees.</p>	C	<ul style="list-style-type: none"> • The Board has delegated the responsibility of performing the corporate governance duties to the Audit Committee. To that effect, the terms of reference of the Audit Committee as set out in D.3.1 above were revised with effect from 1 January 2012 to include the corporate governance functions delegated by the Board.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices																										
E. COMMUNICATION WITH SHAREHOLDERS																													
E.1 Effective communication																													
Corporate Governance Principle																													
<i>The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.</i>																													
E.1.1	For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The company should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", the company should explain the reasons and material implications in the notice of meeting.	C	<ul style="list-style-type: none"> Separate resolutions are proposed at the general meetings of the Company for each substantially separate issue, including the election of individual Directors. 																										
E.1.2	<ul style="list-style-type: none"> The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. The company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence. 	C C C	<ul style="list-style-type: none"> In 2018, the Chairman, Chairman of the Audit Committee and Chairman of the Remuneration Committee attended the annual general meeting and were available to answer questions. Directors' attendance records of the 2018 annual general meeting are as follows: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Members of the Board</th> <th style="text-align: right; border-bottom: 1px solid black;">Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2">Executive Directors</td> </tr> <tr> <td>Victor T K LI (<i>Chairman</i>)</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>KAM Hing Lam</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>IP Tak Chuen, Edmond</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>YU Ying Choi, Alan Abel</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>TOH Kean Meng, Melvin*</td> <td style="text-align: right;">N/A</td> </tr> <tr> <td>CHU Kee Hung**</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td colspan="2">Non-executive Directors</td> </tr> <tr> <td>Peter Peace TULLOCH (<i>Non-executive Director</i>)</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>KWOK Eva Lee (<i>Independent Non-executive Director</i>) (<i>Chairman of the Remuneration Committee</i>)</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>Colin Stevens RUSSEL (<i>Independent Non-executive Director</i>)</td> <td style="text-align: right;">1/1</td> </tr> <tr> <td>KWAN Kai Cheong (<i>Independent Non-executive Director</i>) (<i>Chairman of the Audit Committee</i>)</td> <td style="text-align: right;">1/1</td> </tr> </tbody> </table> <ul style="list-style-type: none"> * Appointed as an Executive Director with effect from 15 November 2018. ** Retired as an Executive Director with effect from 15 November 2018. In 2018, the Company's external auditor attended the annual general meeting and was available to answer questions. 	Members of the Board	Attendance	Executive Directors		Victor T K LI (<i>Chairman</i>)	1/1	KAM Hing Lam	1/1	IP Tak Chuen, Edmond	1/1	YU Ying Choi, Alan Abel	1/1	TOH Kean Meng, Melvin*	N/A	CHU Kee Hung**	1/1	Non-executive Directors		Peter Peace TULLOCH (<i>Non-executive Director</i>)	1/1	KWOK Eva Lee (<i>Independent Non-executive Director</i>) (<i>Chairman of the Remuneration Committee</i>)	1/1	Colin Stevens RUSSEL (<i>Independent Non-executive Director</i>)	1/1	KWAN Kai Cheong (<i>Independent Non-executive Director</i>) (<i>Chairman of the Audit Committee</i>)	1/1
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Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
E.1.3	The company should arrange for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.	C	<ul style="list-style-type: none"> • The Company's notice to shareholders for the 2018 annual general meeting of the Company was sent at least 20 clear business days before the meeting.
E.1.4	The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.	C	<ul style="list-style-type: none"> • In March 2012, the Board established a shareholders communication policy and made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness. • The particulars of shareholders' rights relating to, inter alia, convening of extraordinary general meetings and making enquiries to the Company are as follows: <ol style="list-style-type: none"> 1. The Company has only one class of shares. All shares have the same voting rights and are entitled to the dividends declared. The Articles of Association of the Company ("Articles") set out the rights of shareholders. 2. Any two or more shareholders holding not less than one-tenth of the paid-up capital of the Company or any one shareholder which is a recognised clearing house (or its nominee(s)) holding not less than one-tenth of the paid-up capital of the Company may, in accordance with the requirements and procedures set out in the Articles, request the Board to convene an extraordinary general meeting pursuant to Article 72 of the Articles. The objects of the meeting must be stated in the written requisition which must be signed by the requisitionist(s) and deposited at the principal office of the Company in Hong Kong. The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such proposal and any material interest of the proposing shareholder in such proposal. 3. Pursuant to Article 120 of the Articles, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at any general meeting (including annual general meeting), the shareholder should lodge a written notice of his/her intention to propose such person for election as a Director with the Company Secretary during a period, as may from time to time be designated by the Company, of at least seven days, which shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. Such written notice must be accompanied by a notice signed by the person to be proposed of his/her willingness to be elected as a Director. 4. In conducting a poll, subject to any special rights, privileges or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, every shareholder present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorised representative, shall have one vote for each share registered in his/her/its name in the register. On a poll a shareholder entitled to more than one vote is under no obligation to cast all his/her votes in the same way. 5. Shareholders have the right to receive corporate communications issued by the Company in hard copies or through electronic means in accordance with the manner as specified in Article 167 of the Articles. 6. Shareholders whose shares are held in the Central Clearing and Settlement System (CCASS) may notify the Company from time to time through Hong Kong Securities Clearing Company Limited if they wish to receive the Company's corporate communications. 7. Shareholders and other stakeholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Corporate Governance Report (Cont'd)

Code Ref.	Code Provisions	Comply ("C")/ Explain ("E")	Corporate Governance Practices
E.2	Voting by poll		
	Corporate Governance Principle		
	<i>The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.</i>		
E.2.1	The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.	C	<ul style="list-style-type: none"> • At the 2018 annual general meeting, the Chairman of the meeting explained (through the Company Secretary) the detailed procedures for conducting a poll, and answered questions from shareholders. • At the 2018 annual general meeting, the Chairman of the meeting exercised his power under the Company's Articles of Association to put each resolution set out in the notice to be voted by way of a poll. • Representatives of the Branch Share Registrar of the Company were appointed as scrutineers to monitor and count the poll votes cast at the 2018 annual general meeting. • Since the Company's 2004 annual general meeting, all the resolutions (other than procedural or administrative resolutions) put to vote at the Company's general meetings were taken by poll. • Poll results were posted on the websites of the Company and HKEx.
F.	COMPANY SECRETARY		
	Corporate Governance Principle		
	<i>The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters and should also facilitate induction and professional development of Directors.</i>		
F.1.1	The company secretary should be an employee of the company and have day-to-day knowledge of the company's affairs.	C	<ul style="list-style-type: none"> • The Company has appointed an employee of the Company to be the Company Secretary of the Company since 2002. • The Company Secretary ensures the effective conduct of Board meetings and that Board procedures are duly followed. • The Company Secretary prepares written resolutions or minutes and keeps records of substantive matters discussed and decisions resolved at all Board and Board Committee meetings. • The Company Secretary also advises on compliance with all applicable laws, rules and regulations in relation to the investments of the Group and keeps the Board fully abreast of all legislative, regulatory and corporate governance developments.
F.1.2	The board should approve the selection, appointment or dismissal of the company secretary.	C	<ul style="list-style-type: none"> • The appointment and removal of the Company Secretary is subject to Board approval in accordance with the Articles of Association of the Company.
F.1.3	The company secretary should report to the board chairman and/or the chief executive.	C	<ul style="list-style-type: none"> • The Company Secretary reports to the Board through the Chairman whilst all members of the Board have access to the advice of the Company Secretary.
F.1.4	All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.	C	<ul style="list-style-type: none"> • Directors have access to the Company Secretary and key officers of the Company Secretarial Department who are responsible to the Board for ensuring that Board procedures, and all applicable rules and regulations, are followed. • Memoranda are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.

Corporate Governance Report (Cont'd)

II. RECOMMENDED BEST PRACTICES

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
A.	DIRECTORS		
A.1	The Board Corporate Governance Principle <i>The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.</i> <i>The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.</i>		
			There is no recommended best practice under Section A.1 in the CG Code.
A.2	Chairman and Chief Executive Corporate Governance Principle <i>There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer of the Company to ensure a balance of power and authority.</i>		
			There is no recommended best practice under Section A.2 in the CG Code.
A.3	Board composition Corporate Governance Principle <i>The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and should include a balanced composition of Executive and Non-executive Directors so that independent judgement can effectively be exercised.</i>		
			There is no recommended best practice under Section A.3 in the CG Code.
A.4	Appointments, re-election and removal Corporate Governance Principle <i>There should be a formal, considered and transparent procedure for the appointment of new Directors and plans in place for orderly succession for appointments. All Directors should be subject to re-election at regular intervals.</i>		
			There is no recommended best practice under Section A.4 in the CG Code.
A.5	Nomination Committee Corporate Governance Principle <i>In carrying out its responsibilities, the nomination committee should give adequate consideration to the principles under Sections A.3 and A.4 in the CG Code.</i>		
			There is no recommended best practice under Section A.5 in the CG Code.
A.6	Responsibilities of directors Corporate Governance Principle <i>Every Director must always know his responsibilities as a Director of the Company and its conduct, business activities and development.</i>		
			There is no recommended best practice under Section A.6 in the CG Code.
A.7	Supply of and access to information Corporate Governance Principle <i>Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.</i>		
			There is no recommended best practice under Section A.7 in the CG Code.

Corporate Governance Report (Cont'd)

Recommended Best Practice Ref.	Recommended Best Practices	Comply ("C")/ Explain ("E")	Corporate Governance Practices
B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION			
B.1 The level and make-up of remuneration and disclosure			
Corporate Governance Principle			
<i>The Company should disclose its Director's remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent.</i>			
B.1.6	Where the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the board should disclose the reasons for its resolution in its next Corporate Governance Report.	N/A	<ul style="list-style-type: none"> The Board has never approved any remuneration or compensation arrangements which have previously been rejected by the Remuneration Committee.
B.1.7	A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.	C	<ul style="list-style-type: none"> In 2018, a significant proportion of Executive Directors' remuneration has been structured to link rewards to corporate and individual performance. Please refer to note 31 in the Notes to the Consolidated Financial Statements for details of discretionary bonus.
B.1.8	The company should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in the annual reports.	C	<ul style="list-style-type: none"> The Board has resolved that the senior management of the Company comprises only the Executive Directors of the Company. Please refer to note 31 in the Notes to the Consolidated Financial Statements for details of the remuneration payable to the Directors.
B.1.9	The board should conduct a regular evaluation of its performance.	E	<ul style="list-style-type: none"> The performance of the Board is best reflected by the Company's results during the year.

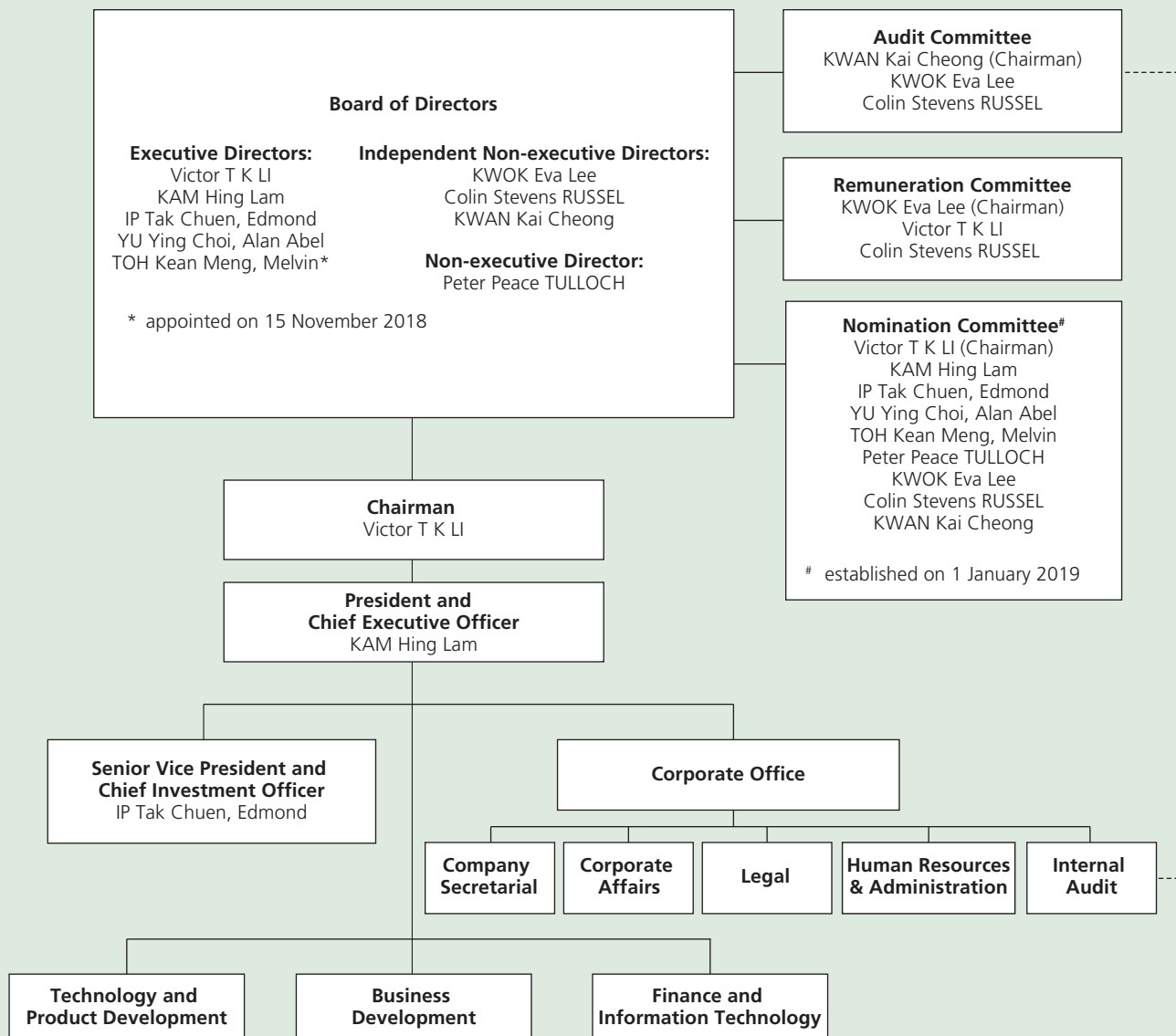
Corporate Governance Report (Cont'd)

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

Corporate Governance Report (Cont'd)

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

MANAGEMENT STRUCTURE CHART



Environmental, Social and Governance Report

ABOUT THIS REPORT

This Environmental, Social and Governance (“ESG”) Report for CK Life Sciences Int’l., (Holdings) Inc. (“CK Life Sciences” or the “Company” or the “Group”) depicts the Group’s ESG performance during the year ended 31 December 2018 (“Reporting Period”). This includes how the Group managed the key issues identified through the materiality assessment exercise.

The scope of the report covers major operations in nutraceutical and agriculture-related business located in the United States, Australia and New Zealand. During the Reporting Period, the salt field operations in New Zealand have been incorporated following the acquisition of the remaining 50% share at the end of 2017.

The report is prepared in accordance with the ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Reporting Guide”).

APPROACH TO ESG AND REPORTING

Our predominant principle for ESG is operating our businesses in a responsible and sustainable way whilst remaining transparent and accountable to our stakeholders.

We acknowledge the importance of incorporating ESG principles into our key decision-making and daily operations. Key ESG issues are managed both at the Company and business unit levels. CK Life Sciences has convened a group of senior leaders to oversee the direction of our ESG practices and our business units also take ownership to establish ESG programmes which align with their operations. ESG performance is measured, reviewed and reported to the management team periodically for continuous improvement. The management team will then confirm that appropriate and effective ESG risk management and internal control systems are in place.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

In 2018, for the purpose of meeting the requirement of the Reporting Guide, a working group, led by an Executive Director of the Company, has been formed with designated members of the management team from the finance department, internal audit department, human resources & administration department, legal department and company secretarial department with a view to identifying and assessing material ESG aspects of our operations.

An independent advisor has been retained to provide reporting advisory services to the Company and to assist with developing a structure, processes and practices for ESG reporting for its compilation of an ESG report in accordance with the Reporting Guide. With the assistance of the advisor, information was collected from the relevant parties of the Group’s principal subsidiaries within the scope, excluding those from acquisitions during the year (“In-scope Business Units”). The information so collected was reported in the ESG report which has been reviewed by the advisor in the process. The management team has confirmed that appropriate and effective ESG risk management and internal control systems are in place.

We endeavor to converse openly and transparently with our key stakeholders to gather their views on the ESG issues which matter to them the most. Given our diverse businesses, we deal with different types of stakeholders, including employees, customers, shareholders, suppliers, local communities, authorities and non-governmental organisations. We engage our key stakeholders periodically in various forms such as meetings, interviews, surveys and workshops, in order to gather their views on various ESG aspects.

Environmental, Social and Governance Report (Cont'd)

This report serves as an important tool to address the key concerns and interests of our key stakeholders. Based on the input of our key stakeholders, we have prioritised aspects relating to environmental emissions, resources use, employment and labour, operating practices and community investment. Environmental key performance indicators (“KPIs”) in this report reflect the consolidated data of the In-scope Business Units, unless otherwise specified.

Representative initiatives and activities are summarised in the rest of this report.

A. ENVIRONMENTAL

The Group’s objective is to minimise our ecological footprint. Meanwhile, as we continue to expand our global businesses we review opportunities for operational efficiency, cost and benefits brought by our responsible behaviour with regards to the environment. By encouraging our businesses to adopt good industry practices, we continue to reduce our emissions and improve efficiency of resource use wherever possible.

A1: Emissions

Our businesses strive to manage the impact from air and greenhouse gas (GHG) emissions, waste generated and discharges to land and water.

Air Emissions and Greenhouse Gas (“GHG”) Emissions

We encourage responsible management of air emissions, including nitrogen oxides, carbon monoxide and particulate matter from our processes. Pollution control measures have been adopted in line with the applicable local regulations. Regular monitoring is in place to verify the effectiveness of pollution control.

Our businesses make an on-going effort to reduce GHG emissions from operations to contribute to a low-carbon economy.

In Accensi Pty Ltd (“Accensi”), mixing vessels have local dust filters and wet scrubbers to scrub chemicals from air emissions. Performance of such air emission reduction measures is reviewed semi-annually. With the measures and controls in place, we are able to spot air emission abnormalities and have fulfilled the local legislative requirements on air emissions.

Vitaquest International Holdings LLC (“Vitaquest”) continues utilising 420 KW solar energy system to support energy efficient lighting with motion detector switches that have been installed throughout our facilities. Approximately 520,181 kilowatt hours (kWh) energy have been generated in 2018, which in turns significantly helps in reducing carbon dioxide (CO₂) emission.

For details of air and GHG emissions, please refer to table below.

Environmental KPIs	Unit	2018	2017
NOx emissions (Note 1)	tonne	1	1
Total GHG emissions	tonne CO ₂ e	45,739	23,526
Total GHG emissions intensity (Note 2)	tonne CO ₂ e/’000 HK\$	0.01	0.01
Greenhouse gas emissions (Scope 1) (Note 3)	tonne CO ₂ e	27,500	9,297
Greenhouse gas emissions (Scope 2) (Note 4)	tonne CO ₂ e	18,239	14,229

Environmental, Social and Governance Report (Cont'd)

Notes:

- (1) SOx emissions and particulate matter emissions are considered to be insignificant and not disclosed in this Report. Nevertheless, the Group will continue to monitor SOx emissions and particulate matter emissions.
- (2) "Total GHG emissions intensity" equals "Total GHG emissions" over total revenue contributed by the In-scope Business Units, which is considered an appropriate intensity basis for the nature of the relevant business units.
- (3) Scope 1 — Direct emissions from operations that are owned or controlled by the Group.
- (4) Scope 2 — "Energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group.

Water and Land

The Group also undertakes policies and measures to manage the discharges into water and land.

Lipa Pharmaceuticals Limited ("Lipa") engaged external parties, Australian Laboratory Services and Sydney Water, to conduct onsite testing over water discharge. Discharge of impurities into water ways was measured and tracked. In addition, initiatives are undertaken to further reduce impurities being discharged into water.

Waste

Waste management policies and procedures have been put into place to guide segregation, storage and handling of both hazardous and non-hazardous waste.

At Lipa, storage containers are appropriately labelled to avoid mishandling of waste. Group leaders for each work centre also take the lead in raising awareness among employees of the work centre on proper handling of waste. Training is also provided and all employees are required to wear protective equipment in accordance with safety procedures. External expertise, Sydney Water and other chemical and waste service companies, were also engaged to assist Lipa in disposing of its hazardous and non-hazardous chemical and production waste from its activities in laboratory and production in an appropriate and controlled manner.

The methods in reducing waste production which Cheetham Salt Limited ("Cheetham") adopts are designed to be socially responsible, scientifically based and economically sound. Recycling systems have been implemented in all its manufacturing sites in Australia so to divert as much waste as possible into recycling streams to minimise the impact the business has on the environment. In 2018, approximately 82 tonnes of waste was recycled in these manufacturing sites.

For statistics on waste produced, please refer to table below.

Environmental KPIs	Unit	2018	2017
Total hazardous waste produced (Note 5)	Tonne	31,952	24,771
Total non-hazardous waste produced	Tonne	3,229	2,657

Notes:

- (5) Hazardous wastes are those defined by national regulations applicable to the In-scope Business Units.

Environmental, Social and Governance Report (Cont'd)

A2: Use of Resources

Our businesses have been undertaking a range of measures to reduce the quantity and improve the efficiency of energy, water and other materials use.

Energy

Lipa engaged external carbon reduction consultants to advise measures Lipa could adopt in bringing down its carbon emission. One of the measures is to replace regular light bulbs with energy saving fluorescent lights. Onsite checkups on the lights are undertaken to ensure that they continue functioning in accordance with expectations. Another measure Lipa has carried out is to assess energy usage of current plant and equipment and refurbish them whenever necessary. For example, the air conditioning units installed have been regularly reviewed to determine the necessity of changing filters and installing more energy-efficient machines.

Lastly, Accensi has been replacing its 480-watt high bay lights in its warehouse with 100-watt LED lights throughout the year under review. Less energy has been consumed without compromising lighting level.

However, with the acquisition of a salt field operations in New Zealand, more energy is consumed by various kinds of site equipment and facilities in our plants for salt products production.

For details on energy consumption, please refer to table below.

Environmental KPIs	Unit	2018	2017
Total energy consumption	'000 kWh	156,846	68,902
Total energy consumption intensity (Note 6)	kWh/HK\$	0.04	0.02
Total direct energy consumption	'000 kWh	119,593	41,460
Total direct energy consumption intensity	kWh/HK\$	0.03	0.01
Gasoline/Petrol	'000 kWh	83	61
Diesel	'000 kWh	8,082	8,859
Gas (exclude towngas and natural gas)	'000 kWh	16,850	13,990
Natural gas	'000 kWh	77,137	17,935
Other fuel	'000 kWh	17,441	615
Total indirect energy consumption (electricity)	'000 kWh	37,253	27,442
Total indirect energy consumption (electricity) intensity	kWh/HK\$	0.01	0.01

Notes:

- (6) "Total energy consumption intensity" equals "Total energy consumption" over total revenue contributed by the In-scope Business Units, which is considered an appropriate intensity basis for the nature of the relevant business units.

Environmental, Social and Governance Report (Cont'd)

Water

Accensi has been collecting rain water for production usage, which it aims to increase over time. In 2017, rain water accounted for 10% of our water consumption. This rose to around 14% in 2018.

Lipa continues to look for opportunities to reduce water usage. The whole facility is now monitoring and tracking its water consumption. Apart from installing water efficient taps with an aerator or flow restrictor, it also tries to improve water efficiency by bringing in level or mixer taps throughout the facility.

For water consumption performance, please refer to table below.

Environmental KPIs	Unit	2018	2017
Water consumption	'000 m ³	3,616	4,720
Water consumption intensity (Note 7)	m ³ /'000 HK\$	0.89	1.26

Notes:

- (7) "Water consumption intensity" equals "Water consumption" over total revenue contributed by the In-scope Business Units, which is considered an appropriate intensity basis for the nature of the relevant business units.

Material Use

We encourage resources planning to optimise raw materials usage in production. Right levels of raw material are ordered to ensure best possible efficiency in raw materials usage. Lipa uses Materials Requisition Planning to optimise its raw materials requisition process. Product demand is first forecasted and then raw materials consumption is estimated that ultimately forms the basis of the quantity of raw materials to be purchased. This can help reduce wastage.

Besides encouraging resources planning, we also encourage use of recycled materials. At Vitaquest, the majority of corrugated packaging materials used is derived from recycled content. Plans are afoot to replace 30 – 50% consumption of paper drums by reusable plastic drums to reduce consumption of paper and save thousands of trees each year.

Accensi, on the other hand, is instituting a programme which involves the Health, Safety, Environmental and Quality department, site managers and customers, to come up with larger pack sizes to achieve less packaging waste where possible. This programme is planned to be implemented in 2019.

For statistics on packaging material used for finished products, please refer to table below.

Environmental KPIs	Unit	2018	2017
Total packaging material used for finished products	tonne	5,060	3,169
Plastic	tonne	3,773	1,910
Paper	tonne	1,128	898
Metal	tonne	11	90
Glass	tonne	11	219
Other packaging material	tonne	137	52

Environmental, Social and Governance Report (Cont'd)

A3: The Environment and Natural Resources

Given our distinct operations, we have been working to find better ways for identifying, preventing and mitigating environmental impacts, particularly in relation to GHG emissions, waste management and resource use. Our businesses stay cognizant of our dependence on natural resources and the ecosystem. The Group endeavours to adopt good industry practices to demonstrate our commitment to improve the quality of life and create long-term value for our key stakeholders.

Salt fields provide important ecosystems for a variety of flora and fauna. A number of the Cheetham sites contain birds or plants of state, national or international significance. At the Bajool site in Queensland, there is a population of the Capricorn Yellow Chat which is listed as Critically Endangered under the Commonwealth Environment and Biodiversity Conservation Act 1999. The Price site in South Australia is listed as a site of International Significance for Shorebirds. To minimise impacts caused to the ecosystems and optimise environmental performance, Cheetham has expanded its comprehensive management systems to include the requirements set out in ISO 14001.

REGULATORY COMPLIANCE

The Group is not aware of any material non-compliance with laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group during the Reporting Period.

B. SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

Our employees are our greatest assets. The Group aims to create a safe, inclusive and engaging work environment for employees. We retain and nurture our talent by providing competitive remuneration, equal opportunities for development and a supportive workplace. As at 31 December 2018, the total number of full-time employees of the Group was 1,785 with 60% in Asia Pacific and the rest in North America.

B1: Employment

Securing highly qualified talent is the key to long-term viability of our businesses so we work closely with various organisations, including universities, in sourcing and attracting qualified talent.

The human resources policies of our businesses strive to fulfil local regulations in terms of recruitment, compensation, other benefits and welfare, promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and dismissal.

Our businesses have implemented a merit-based remuneration mechanism. Where practicable, remuneration packages are benchmarked with market levels periodically and adjusted as appropriate to maintain competitiveness. Various benefit entitlements such as medical care, life insurance and retirement benefits are provided to most employees. Vitaquest has subscribed to Payscale, a third party offering market information in relation to remuneration, to provide our employees with fair and competitive packages, as well as maintain its competitiveness in securing talent. Cheetham provides support and income stability to its employees through Mercer Australia's salary continuance insurance services. Full-time and part-time employees continue to receive income when they become unable to work due to illness or injury.

Environmental, Social and Governance Report (Cont'd)

We strive to promote a healthy lifestyle and provide competitive leave entitlements to help our employees to maintain work-life balance, and we encourage our employees to balance their personal and professional commitments. Flexible work arrangement is embraced by Cheetham company wide, allowing employees to establish flexible work hours and manage work and study commitments as necessary. Work rosters are reviewed by the Health & Safety Team and the Manufacturing Team at Bajool site to avoid employees being engaged in long working hours.

Our operations span several continents across the globe. We embrace diversity and strive to build an inclusive and supportive work environment, free from any kind of discrimination, such as gender, age, nationality, sexual orientation, family status, race or religion.

In Cheetham, new starters are required to participate in anti-discrimination training upon joining the organisation. Since 2018, Cheetham has extended the training to all employees with a mandatory online course in anti-discrimination and equal opportunity to raise awareness.

Accensi has adopted a "Workplace Rehabilitation and Return to Work" policy, cooperating with injured workers and their medical providers to assist them in returning to work quickly and safely after an injury.

B2: Health and Safety

Protecting the health and safety of our employees is a priority for us. Our businesses have implemented safety policies and procedures to assess and mitigate occupational hazards in the workplace in accordance with local regulatory requirements. Accensi plans to conduct manual handling risk assessments once a month across all sites in a bid to reduce the number of injuries.

Frequent corporate communications are made to employees in Cheetham to enhance their safety awareness. Lag indicators, including lost time injury frequency rate and total recordable injury frequency rate, are monitored monthly and reported to management. The lost time injury frequency rate and total recordable injury frequency rate of Cheetham have declined by approximately 60% and 35% respectively compared to the previous year.

Furthermore, employees' mental health is our concern. Cheetham has engaged a third party to provide an Employee Assistance Programme which enables Cheetham to understand how well its employees are doing. From 2018, this program has been extended to Dominion Salt Limited ("Dominion") in New Zealand in monitoring the mental health of Dominion's workforce and highlighting possible issues or trends for timely resolution.

B3: Development and Training

Upskilling our people through training and development forms an important part of our human capital management strategy. Our training programmes are tailored to suit business needs and help our employees to improve their knowledge and skills so as to better discharge their duties at work. Training, including seminars and workshops, is conducted regularly; additional special training is provided on an as-needed basis.

To suit the growing needs of continuous learning, we have extended our training to online training. In Vitaquest, training is conducted online, year-round on an as-needed basis, based on company requirements, on US Food and Drug Administration (FDA) regulations, etc. Employees are trained in their work activities. 88% of employees in Vitaquest were engaged in company training courses in 2017. This rose to 95% in 2018.

In Cheetham, the executive team was engaged in a seminar on unconscious bias, and employees were engaged in mentoring circles to develop teamwork, engagement, leadership and communication skills. These development and training initiatives are undertaken to complement our employee's individual skillsets and improve the overall workplace environment.

Environmental, Social and Governance Report (Cont'd)

B4: Labour Standards

We uphold high labour standards throughout our businesses and expect our suppliers to apply the same standards in their operations. We strictly prohibit the use of child and forced labour in accordance with local regulatory requirements.

REGULATORY COMPLIANCE

The Group is not aware of (i) any material non-compliance with laws and regulations relating to employment and labour practices, occupational health and safety that have a significant impact on the Group; or (ii) any incident that has a significant impact on the Group relating to the use of child or forced labour during the Reporting Period.

OPERATING PRACTICES

B5: Supply Chain Management

Suppliers of the Group play a significant role in achieving our business goals in supply chain management. We believe that effective collaboration with our suppliers in managing ESG risks is fundamental to strengthening the sustainability performance of our supply chain.

We manage our supply chain through screening and on-going monitoring and evaluation. This is a vital process for our nutraceutical business as we source the majority of raw materials from overseas suppliers. For example, Lipa conducts regular audits on all key suppliers regarding documentation and conformance to maintain and update a list of approved suppliers. Vitaquest has implemented a standard operating procedure requiring on-site audit and laboratory testing to be performed as part of its supplier qualification process. Similarly, Cheetham has adopted contractor management software which allows the continual monitoring of contractors in terms of compliance documentation to ensure that all contractors are performing to standards and to contract.

We expect our suppliers to adopt a high level of ethical standard on matters related to health and safety, environmental protection and fair labour practices. We endeavor to communicate with them to improve understanding of our expectations and to help them meet our requirements. From time to time, we initiate open discussions with suppliers to exchange ideas to improve the overall sustainability performance of our supply chain.

B6: Product Responsibility

To live up to our mission of “improving the quality of life”, we hold product safety and quality as part of our core commitments to customers. We value the views of our customers and are dedicated to providing them where possible with a remarkable experience.

Product Safety and Quality

The Group is committed to maintaining a high quality and safety standard of its products at all times. Our businesses strive to meet stringent quality standards.

We have implemented quality assurance and control procedures in all stages, ranging from raw materials control to finished products packaging. Raw materials are subject to compliance screening prior to being purchased and used in production. The manufacturing process is monitored and controlled by process owners. Finished products are subject to comprehensive laboratory testing to meet product quality standards and customer expectations. These practices are consistent with applicable certification requirements such as Good Manufacturing Practices.

Environmental, Social and Governance Report (Cont'd)

Our businesses also initiate self-scrutiny on product safety and quality to drive performance improvements.

We also strive to build a culture of product safety and quality. Safety and quality policies and procedures have been established at business level. Induction and on-the-job training is in place to raise employees' awareness of product safety and quality.

Many of our businesses are recognised for their consistent pursuit of high quality. In Cheetham, the quality management system is audited by an independent third party annually. All of its manufacturing sites maintain a fully integrated quality management system that is in accordance with Australian and International standards. Certifications for ISO9001 and Hazard Analysis and Critical Control Points (HACCP) accreditation have also been obtained.

Additionally, our businesses work proactively in testing recall procedures and improving skills to manage product crises in order to better protect customers' health and safety. Vitaquest has an executive committee on product recall responsible for handling recall related matters in accordance with the FDA rules and regulations. Although Vitaquest has had no product recalls, we have Standard Operating Procedures which are referenced to FDA rules and regulations and provide clear guidance to our employees in resolving such an occurrence.

Customer Experience

We care about the needs of our customers and we engage in open and frequent dialogues with them to gauge their expectations. Our businesses carry out customer surveys regularly to solicit feedback and identify improvement areas with an aim to deliver a differentiated customer experience. Some of our businesses have established customer relationship management programmes to enhance customer affinity.

Enquiries and complaints received from customers are investigated and followed up to guide the improvement of future operations. As an example, Accensi has adopted Opportunity for Improvements, a business system used to capture any customer complaints. The system requires root cause analysis and monthly reviews to ensure completion of investigation and feedback to the customer.

Customer Protection

We are conscientious about customer data protection and we respect customers' rights to information provided in regards to our products and services. Data and privacy protection procedures are in place and communicated to our employees. All collected personal data are treated as confidential and kept secure. Procedures are in place to guide the advertising and labelling of our products to be in line with applicable rules. Labels used for products are inspected to make sure they include the required information such as directions for use and safety warnings in accordance with local regulatory requirements.

REGULATORY COMPLIANCE

The Group is not aware of any incidents of material non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress, that have a significant impact on the Group during the Reporting Period.

Environmental, Social and Governance Report (Cont'd)

B7: Anti-corruption

The Group's companies strive to uphold their reputation as fair and responsible corporations at all times. Our anti-corruption principles have been incorporated into the policies and procedures across our businesses and communicated to our employees through various channels such as induction and training. We adopt an approach of zero tolerance towards any form of bribery, corruption and fraud. A monitoring and management control system has been developed to detect bribery, fraud or other malpractice activities. Our whistle-blowing mechanism also allows employees and other third parties to report suspected misconduct, irregularities and malpractices in confidence. All reported cases will be followed up in a timely manner; confirmed cases will be reported to the Audit Committee and executive management.

REGULATORY COMPLIANCE

The Group is not aware of any material breach of laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group during the Reporting Period.

B8: Community Investment

The Group recognises the importance of giving back to the community and strives to achieve this by leveraging its strengths and resources. We actively pursue ways to create positive impact in our communities through on-going support and engagement programmes.

Health

Bearing the mission of improving the quality of life, we work to enhance the vitality and health of the local community in which we operate. For example, Vitaquest continues to partner with Vitamin Angels, a non-profit organisation, to address the global priority of childhood deaths by providing essential vitamins to children in need.

Environmental Conservation

We strive to promote good practices of environmental responsibility within the industry. For example, Accensi is a foundation member of Croplife Australia, a not-for-profit organisation dedicated to maintaining the benefits of being a responsible party within the agricultural industry. By contributing to the co-regulatory and self-regulatory mechanisms and reducing environmental risks across the life cycle of the products, Accensi plays its part in bringing positive influences to the industry and the community.

Cheetham has been active in the control of salinity in Australia for over 20 years. Understanding the impact of salinity, Cheetham has worked extensively with environmental protection agencies and key specialists to develop processes to recover the salt in some waste streams.

Risk Factors

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

GLOBAL ECONOMY

Increasing trade tensions between the United States and certain major nations, the unclear outcomes of the negotiations of the United Kingdom ("UK") to leave the European Union ("EU"), the fluctuation of the US dollar against major currencies around the world and the continuing geopolitical tensions create uncertainties in the world economy and global financial market. A slowdown in global economic growth could lead to economic contractions in certain markets, commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. The Group has investments in different countries and cities around the world. Any adverse economic conditions in those countries and cities in which the Group operates may potentially impact on the Group's business, financial position or potential income, asset value and liabilities.

HIGHLY COMPETITIVE MARKETS

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

RESEARCH AND DEVELOPMENT

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

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

Risk Factors (Cont'd)

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

INTELLECTUAL PROPERTY

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

INDUSTRY TRENDS AND INTEREST RATES

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

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

LOAN RENEWAL AND REFINANCING

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

RISK OF ASSET IMPAIRMENT

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

CURRENCY FLUCTUATIONS

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

FLUCTUATIONS IN TREASURY INVESTMENT VALUATION

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

CYBERSECURITY

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

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

STRATEGIC PARTNERS

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

Risk Factors (Cont'd)

IMPACT OF LOCAL, NATIONAL AND INTERNATIONAL REGULATIONS

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

WINE AND VINEYARD MARKET

The Group is among the third largest vineyard owner in Australasia in terms of hectareage and top ten in the world. The vineyards of the Group are mostly leased to well-established wine industry operators and provide immediate and recurring cashflow to the Group. The continued success of the Group will depend in part on its ability to maintain such cashflow. There is no assurance that the Group's tenants will observe the terms of the leases and continue to pay the rent during their existing lease term, or that the leases will be renewed at favorable terms upon their expiries. Tenants of the Group's vineyards export wine to, amongst other countries, the UK. The exit of the UK from the EU may have adverse effects on the tenants' businesses. Furthermore, the market value of the vineyard portfolio is subject to currency fluctuations which may impact on the Group's income or financial position.

IMPACT OF NEW ACCOUNTING STANDARDS

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

CONNECTED TRANSACTIONS

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

MERGERS AND ACQUISITIONS

The Company has undertaken merger and acquisition activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. Although due diligence and detailed analysis are conducted before these activities are being undertaken, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by the Company and by professionals alike are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate or that they will receive universal recognition. Relevant facts and circumstances used in the analyses could have changed over time, and new facts and circumstances may come to light as to render the previous assumptions and the valuations and analyses based thereon obsolete. Some of these merger and acquisition activities are subject to regulatory approvals in overseas countries and there can be no assurance that such approvals will be obtained, and even if granted, that there will be no burdensome conditions attached to such approvals. The Company may not necessarily be able to successfully integrate the target business into the Group and may not be able to derive any synergy from the acquisition, leading to an increase in costs, time and resources. For merger and acquisition activities undertaken overseas, the Company may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level. The Company may also need to face different cultural issues when dealing with local employees, customers, governmental authorities and pressure groups.

NATURAL DISASTERS, CLIMATE CHANGE AND ENVIRONMENTAL CHANGE

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

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

Furthermore, climatic changes affect demand, availability, quality and pricing of many of our products as well as those of our customers, especially in the agriculture-related sector, affecting business performance.

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

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

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

Corporate Information and Key Dates

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Peter Peace TULLOCH	<i>Non-executive Director</i>
KWOK Eva Lee	<i>Independent Non-executive Director</i>
Colin Stevens RUSSEL	<i>Independent Non-executive Director</i>
KWAN Kai Cheong	<i>Independent Non-executive Director</i>

AUDIT COMMITTEE

KWAN Kai Cheong (*Chairman*)
KWOK Eva Lee
Colin Stevens RUSSEL

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

LI Tzar Kuoi, Victor (*Chairman*)
KAM Hing Lam
IP Tak Chuen, Edmond
YU Ying Choi, Alan Abel
TOH Kean Meng, Melvin
Peter Peace TULLOCH
KWOK Eva Lee
Colin Stevens RUSSEL
KWAN Kai Cheong

COMPANY SECRETARY

Eirene YEUNG

AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond
Eirene YEUNG

COMPLIANCE OFFICER

YU Ying Choi, Alan Abel

VICE PRESIDENT, FINANCE

MO Yiu Leung, Jerry

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

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South Church Street
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Cayman Islands

HEAD OFFICE

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

Corporate Information and Key Dates (Cont'd)

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House - 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman
KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODES

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

WEBSITE

www.ck-lifesciences.com

KEY DATES

Annual Results Announcement	19 March 2019
Closure of Register of Members (for determination of shareholders who are entitled to attend and vote at Annual General Meeting)	10 to 16 May 2019 (both days inclusive)
Annual General Meeting	16 May 2019
Record Date (for determination of shareholders who qualify for the Final Dividend)	22 May 2019
Payment of Final Dividend	31 May 2019

This annual report 2018 (“Annual Report”) is available in both English and Chinese versions. Shareholders who have received either the English or the Chinese version of the Annual Report may request a copy in the other language by writing to the Company c/o the Company’s Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong or by email to cklife.ecom@computershare.com.hk.

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

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

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

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