



**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)

# Quality Living

Interim Report 2012

This interim report 2012 (both English and Chinese versions) (“Interim Report”) has been posted on the Company’s website at [www.ck-lifesciences.com](http://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 Interim Report) published on the Company’s website in place of receiving printed copies thereof may request the printed copy of the Interim Report in 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](mailto: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 Interim 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](mailto:cklife.ecom@computershare.com.hk) promptly be sent the Interim Report in printed form free of charge.

Shareholders may at any time choose to change your 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](mailto:cklife.ecom@computershare.com.hk).

Shareholders who have chosen to receive printed copy of the corporate communications in either English or Chinese version will receive both English and Chinese versions of the Interim Report since both language versions are bound together into one booklet.

# Contents

- 2 Chairman's Statement
- 4 Directors' Biographical Information
- 8 Financial Review
- 10 Condensed Consolidated Income Statement
- 11 Condensed Consolidated Statement of Comprehensive Income
- 12 Condensed Consolidated Statement of Financial Position
- 14 Condensed Consolidated Statement of Changes in Equity
- 15 Condensed Consolidated Statement of Cash Flows
- 16 Notes to the Condensed Consolidated Financial Statements
- 24 Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures
- 26 Details of Options Granted by the Company
- 28 Interests and Short Positions of Shareholders
- 30 Corporate Governance
- 34 Other Information
- 35 Corporate Information and Key Date

## 2012 FIRST HALF RESULTS

HK\$ Million	1H 2012	1H 2011	Variance
Turnover	2,296.1	1,720.2	+33%
Agriculture-related	807.2	591.2	+37%
Health	1,482.9	1,123.7	+32%
Investment	6.0	5.3	+13%
Profit attributable to shareholders	115.6	82.3	+40%

CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") achieved a strong performance during the first half of 2012.

For the six months ended 30 June 2012, profit attributable to shareholders increased 40% over the same period last year, amounting to HK\$115.6 million.

Turnover was HK\$2,296.1 million, an increase of 33% over the corresponding period in 2011. Good revenue growth was recorded in the agriculture-related and health businesses.

The Board of Directors has not declared any interim dividend for the period under review (2011: Nil).

### AGRICULTURE-RELATED BUSINESS

During the period under review, the Company's agriculture-related business recorded a revenue of HK\$807.2 million, an increase of 37% over the same period last year. This growth was mainly attributable to the recently acquired vineyards and Peaty Trading Group ("Peaty").

The period under review represented a full six-month of profit contribution from Challenger Wine Trust which was acquired in February 2011, as well as Qualco West Vineyard, of which the transaction was completed in October 2011.

The acquisition of Peaty in Australia was completed in February 2012 and has provided four months of immediate profit contribution to the Company during the period under review. Peaty is the second largest supplier of products and services in the professional turf management industry and the pest management industry in Australia. Subsequent to the completion of the transaction, the businesses were consolidated under CK Life Sciences' Amgrow Pty Ltd, making it one of the largest suppliers of agricultural products and services in Australia, particularly in turf management, home garden products and pest management.

Satisfactory performance was reported for CK Life Sciences' other agriculture-related businesses.

## NUTRACEUTICAL BUSINESS

CK Life Sciences' nutraceutical business recorded a 32% growth in turnover at HK\$1,482.9 million.

The Company's portfolio of nutraceutical business delivered good results. Both Vitaquest International Holdings LLC in the United States, and Lipa Pharmaceuticals Limited in Australia achieved pleasing growth in sales revenue. The increase was mainly driven by the rise in customer demand.

## RESEARCH AND DEVELOPMENT

CK Life Sciences continued to record good progress in our R&D activities.

Research on the Company's melanoma vaccine through its United States subsidiary Polynoma LLC ("Polynoma") for the treatment of skin cancer has reached a new milestone.

In January, the U.S. Food and Drug Administration (FDA) cleared Polynoma's Investigational New Drug application for Phase III clinical testing of its melanoma vaccine in the United States. This made CK Life Sciences one of a few Asian companies to obtain clearance from the FDA to commence Phase III clinical testing of a new drug. The trial programme is designed to enrol over 1,000 patients in the United States and Europe. Patient enrolment has started in June and the first patient has been dosed.

In regard to WEX Pharmaceuticals Inc.'s tetrodotoxin ("TTX")-based cancer pain management product, continued progress was made during the period under review.

## PROSPECTS

We are confident in the future prospects of CK Life Sciences.

Recent acquisitions have strengthened our agriculture-related business; and steady organic growth is expected within our existing operations in both agriculture-related and health businesses.

The commencement of the Phase III clinical testing of the melanoma vaccine is poised to take us to the next stage of development for this product.

With cash and liquid assets on hand of HK\$1.1 billion and a net debt to equity ratio of 35%, we will continue to explore opportunities for acquisitions around the world.

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

**Li Tzar Kuoi, Victor**  
Chairman

Hong Kong, 19 July 2012

## 4 Directors' Biographical Information

### **LI Tzar Kuoi, Victor**

aged 47, has been the Chairman of the Company since April 2002. He has been a member of the Remuneration Committee of the Company since March 2005 and acted as the Chairman of the Remuneration Committee of the Company from March 2005 to December 2011. He is the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited. He is also the Deputy Chairman of Hutchison Whampoa Limited, the Chairman of Cheung Kong Infrastructure Holdings Limited, an Executive Director of Power Assets Holdings Limited and Co-Chairman of Husky Energy Inc. All the companies mentioned above are listed companies. Mr. Victor 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. Mr. Victor Li serves as a member of the Standing Committee of the 11th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Council for Sustainable Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce, and was previously a member of the Commission on Strategic Development of the Hong Kong Special Administrative Region. Mr. Victor Li is also the Honorary Consul of Barbados in Hong Kong. Mr. Victor Li holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Structural Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr. Victor Li is a 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. Victor Li is also a director of certain companies which have interests in the 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, and a director of certain companies controlled by certain substantial shareholders of the Company.

### **KAM Hing Lam**

aged 65, is the President and Chief Executive Officer of the Company responsible for overall strategic direction and key operating decisions. 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 also a Deputy Managing Director of Cheung Kong (Holdings) Limited, the Group Managing Director of Cheung Kong Infrastructure Holdings Limited, and an Executive Director of Hutchison Whampoa Limited and Power Assets 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 is a member of the 11th Beijing Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. 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 a substantial shareholder of the Company.

**IP Tak Chuen, Edmond**

aged 60, is the Senior Vice President and Chief Investment Officer responsible for the investment activities of the Group. He joined the Cheung Kong Group in 1993 and the Group in December 1999. He is also a Deputy Managing Director of Cheung Kong (Holdings) Limited, Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited and a Non-executive Director of TOM Group Limited, ARA Asset Management Limited, AVIC International Holding (HK) Limited, Real Nutraceutical Group Limited and Shougang Concord International Enterprises Company Limited. All the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of ARA Asset Management (Fortune) Limited, the manager of Fortune Real Estate Investment Trust which is listed in Hong Kong and Singapore, a Director of ARA Trust Management (Suntec) Limited, the manager of Suntec Real Estate Investment Trust which is listed in Singapore, and 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 was previously a Non-executive Director of Excel Technology International Holdings Limited, a listed company. 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 companies which have interests in the 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, and a director of certain companies controlled by certain substantial shareholders of the Company.

**YU Ying Choi, Alan Abel**

aged 57, 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 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.

**CHU Kee Hung**

aged 67, is the Vice President and Chief Scientific Officer of the Company responsible for the technology and product development activities of the Group. He holds a Bachelor of Science from The Chinese University of Hong Kong, a Master of Science degree and a Doctor of Philosophy degree both from The University of California at Berkeley. He began working for the Group in January 2001. Prior to joining the Group, he has held a variety of senior positions in major corporations such as General Electric and the Cheung Kong Group, and has over 20 years' experience in technology project management in the United States, Mainland China and Hong Kong.

### **TULLOCH, Peter Peace**

aged 68, serves as the Chairman and Non-executive Director of each of Powercor Australia Limited, CitiPower Pty and ETSA Utilities. He 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. Mr. Tulloch is a Fellow of the Institute of Canadian Bankers and has spent more than 30 years in Asia. He was appointed a Non-executive Director of the Company in April 2002.

### **WONG Yue-chim, Richard, SBS, JP**

aged 60, is Professor of Economics and Philip Wong Kennedy Wong Professor in Political Economy at The University of Hong Kong. He was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000. Professor Wong is also an Independent Non-executive Director of each of Great Eagle Holdings Limited, Pacific Century Premium Developments Limited, Orient Overseas (International) Limited, Sun Hung Kai Properties Limited and the Hong Kong Mercantile Exchange Limited ("HKMEx"). Except for HKMEx, all the companies mentioned above are listed companies. Professor Wong is also an Independent Non-executive Director of The Link Management Limited, the manager of The Link Real Estate Investment Trust which is listed in Hong Kong. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. He was appointed an Independent Non-executive Director of the Company in June 2002 and is the Chairman of the Audit Committee of the Company.

### **KWOK Eva Lee**

aged 70, currently serves as the Chair and Chief Executive Officer of Amara Holdings Inc. ("Amara"). Mrs. Kwok also acts as an Independent Director for Husky Energy Inc., an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited and a Director of Li Ka Shing (Canada) Foundation ("LKS Canada Foundation"). Mrs. Kwok currently sits on the Compensation Committee and Corporate Governance Committee of Husky Energy Inc. and the Audit Committee of Cheung Kong Infrastructure Holdings Limited. Except for Amara and LKS Canada Foundation, all the companies mentioned above are listed companies. 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 and the Corporate Governance Committee of Air Canada. Mrs. Kwok was appointed an Independent Non-executive Director of the Company in June 2002. She is a member of the Audit Committee and the Remuneration Committee of the Company, and has been appointed as the Chairman of the Remuneration Committee of the Company on 1 January 2012.

**RUSSEL, Colin Stevens**

aged 71, 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. Mr. Russel also acts as the Managing Director of EMAS (HK) Limited. He is also an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited and ARA Asset Management Limited, and a Non-executive Director of Husky Energy Inc., all being listed companies. 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 is a Professional Engineer and Qualified Commercial Mediator. He received his Master's degree in Business Administration and a degree in electronics engineering from McGill University, Canada. Mr. Russel was appointed an Independent Non-executive Director of the Company in January 2005 and is a member of the Audit Committee and the Remuneration Committee of the Company.

### FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2012, the total assets of the Group were about HK\$9,245.3 million, of which bank balances and time deposits were about HK\$601.3 million and treasury investments were about HK\$520.0 million. The bank interest generated for the first six months of 2012 was HK\$5.2 million. The net gain arising from the Group's investment segment for the period ended 30 June 2012 was HK\$30.3 million.

At the end of the period under review, the total liabilities of the Group were HK\$3,642.7 million, comprising borrowings from banks and major shareholders amounted to HK\$1,696.3 million and HK\$756.0 million, respectively. The financing from banks and major shareholders was mainly used for financing the acquisition of overseas business as well as providing general working capital for some of the overseas business. Total finance cost incurred by the Group for the six months ended 30 June 2012 was HK\$45.7 million.

As at 30 June 2012, the Group's gearing ratio was approximately 35.3%, which is calculated as the Group's net borrowings over the equity attributable to shareholders of the Company. For this purpose, the Group defines net borrowings as total borrowings (including bank borrowings, bank overdrafts, finance lease obligations and other borrowings) less cash, bank balances and time deposits.

The net asset value of the Group was HK\$0.58 per share.

### TREASURY POLICIES

The Group continues to adopt a prudent treasury policy and manage most of its treasury functions at the head office regarding its funding needs, foreign exchange and interest rate exposures.

Most of the Group's financial instruments are denominated in United States dollars and Hong Kong dollars, and thus exchange rate risk associated with such investments is low. The Group's borrowings are principally on a floating rate basis. To minimise its interest rate risk, the Group has been regularly and closely monitoring its overall net debt position, and reviewing its funding costs and loan maturity profile so as to facilitate refinancing whenever appropriate.

### CHARGE ON ASSETS

As at 30 June 2012, certain assets of the Group's subsidiary companies with carrying value of HK\$1,634.7 million were pledged as part of the security for bank borrowings totalling HK\$748.3 million granted to the subsidiary companies.

## MATERIAL ACQUISITIONS/DISPOSALS AND SIGNIFICANT INVESTMENTS

In February 2012, the Group completed the acquisition of the entire interests in Peaty Trading Operation (as defined below) from several independent third parties at a cash consideration of approximately A\$31.3 million (approximately HK\$257.0 million). Peaty Trading Operation mainly comprises three privately owned operating companies incorporated under the laws of Australia with limited liabilities, which collectively form a vertically integrated producer, wholesaler and distributor of plant protection, specialty fertilisers and pest control products for the professional turf, agricultural, horticultural and urban pest control market, with operations across Australia (the "Peaty Trading Operation"). Details of which are incorporated in the Company's announcement issued on 4 January 2012.

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

The Group has always been investing significantly in research and development activities. Such expenditure amounted to about HK\$94.5 million for the period ended 30 June 2012.

## CAPITAL COMMITMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 30 June 2012, the total capital commitments by the Group amounted to HK\$19.9 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and equipment.

## INFORMATION ON EMPLOYEES

The total number of full-time employee of the Group was 1,294 as at 30 June 2012, and is 145 more than the total headcount of 1,149 as at 30 June 2011. The total staff costs, including director's emoluments, amounted to approximately HK\$433.7 million for the six months ended 30 June 2012, which represents an increase of 24% as compared to the same period of 2011. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2011.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2012.

## 10 Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Turnover	2	<b>2,296,051</b>	1,720,191
Cost of sales		<b>(1,543,335)</b>	(1,168,789)
		<b>752,716</b>	551,402
Other income, gains and losses		<b>17,813</b>	56,440
Staff costs	3	<b>(211,546)</b>	(183,180)
Depreciation		<b>(8,853)</b>	(8,717)
Amortisation of intangible assets		<b>(23,988)</b>	(22,486)
Other expenses		<b>(304,623)</b>	(235,045)
Finance costs		<b>(45,695)</b>	(45,424)
Share of results of associates		<b>(1,730)</b>	11
Profit before taxation		<b>174,094</b>	113,001
Taxation	4	<b>(45,348)</b>	(52,002)
Profit for the period	5	<b>128,746</b>	60,999
Attributable to:			
Shareholders of the Company		<b>115,630</b>	82,332
Non-controlling interests of subsidiaries		<b>13,116</b>	(21,333)
		<b>128,746</b>	60,999
Earnings per share	6		
– Basic		<b>1.20 cents</b>	0.86 cent
– Diluted		<b>1.20 cents</b>	0.86 cent

# Condensed Consolidated Statement of Comprehensive Income 11

	For the six months ended 30 June	
	2012	2011
	(unaudited) HK\$'000	(unaudited) HK\$'000
Profit for the period	<b>128,746</b>	60,999
Other comprehensive (expenses)/income		
Exchange differences arising from translation of foreign operations	<b>(25,043)</b>	145,872
Loss on fair value changes of available-for-sale investments	<b>(68,927)</b>	(6,338)
Other comprehensive (expenses)/income for the period	<b>(93,970)</b>	139,534
Total comprehensive income for the period	<b>34,776</b>	200,533
Total comprehensive (expenses)/income attributable to:		
Shareholders of the Company	<b>20,730</b>	209,902
Non-controlling interests of subsidiaries	<b>14,046</b>	(9,369)
	<b>34,776</b>	200,533

## 12 Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2012 (unaudited) HK\$'000	As at 31 December 2011 (audited) HK\$'000
<b>Non-current assets</b>			
Investment properties	8	812,053	813,502
Vines	8	540,459	537,571
Property, plant and equipment	9	585,930	575,962
Intangible assets	10	4,271,609	4,133,396
Interests in associates		16,699	18,622
Available-for-sale investments		276,892	368,621
Investments at fair value through profit or loss		165,274	153,130
Deferred taxation		42,658	23,718
		<b>6,711,574</b>	6,624,522
<b>Current assets</b>			
Investments at fair value through profit or loss		73,078	76,083
Derivative financial instruments		4,739	3,102
Tax recoverable		1,189	42
Inventories		781,554	650,886
Receivables and prepayments	11	1,071,867	983,985
Time deposits		22,710	91,200
Bank balances and deposits		578,610	380,415
		<b>2,533,747</b>	2,185,713
<b>Current liabilities</b>			
Payables and accruals	11	(1,004,366)	(822,767)
Derivative financial instruments		(38,995)	(37,151)
Finance lease obligations		(226)	(373)
Taxation		(84,253)	(61,988)
		<b>(1,127,840)</b>	(922,279)
<b>Net current assets</b>		<b>1,405,907</b>	1,263,434
<b>Total assets less current liabilities</b>		<b>8,117,481</b>	7,887,956

		As at 30 June 2012 (unaudited) HK\$'000	As at 31 December 2011 (audited) HK\$'000
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Bank borrowings	12	(1,696,300)	(1,691,606)
Finance lease obligations		(1,225)	(1,277)
Other borrowings	13	(789,949)	(536,201)
Deferred taxation		(27,394)	(26,314)
		<b>(2,514,868)</b>	(2,255,398)
<b>Total net assets</b>		<b>5,602,613</b>	5,632,558
<b>Capital and reserves</b>			
Share capital	14	961,107	961,107
Share premium and reserves		4,379,004	4,407,652
<b>Equity attributable to shareholders of the Company</b>		<b>5,340,111</b>	5,368,759
Non-controlling interests of subsidiaries		262,502	263,799
<b>Total equity</b>		<b>5,602,613</b>	5,632,558

# 14 Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company							Attributable to non-controlling interests of subsidiaries				
	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Investment revaluation reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Employee share-based compensation reserve (unaudited) HK\$'000	Other reserves (unaudited) HK\$'000	(Accumulated losses)/retained earnings (unaudited) HK\$'000	Subtotal (unaudited) HK\$'000	Share option reserve of a subsidiary (unaudited) HK\$'000	Non-controlling interests of subsidiaries (unaudited) HK\$'000	Subtotal (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>2011</b>												
At 1 January 2011	961,107	4,147,543	214,355	241,614	4,545	(47,497)	(10,141)	5,511,526	798	110,129	110,927	5,622,453
Profit for the period	-	-	-	-	-	-	82,332	82,332	-	(21,333)	(21,333)	60,999
Exchange differences arising from translation	-	-	-	133,929	-	-	-	133,929	91	11,852	11,943	145,872
(Loss)/gain on fair value changes of available-for-sale investments	-	-	(6,359)	-	-	-	-	(6,359)	-	21	21	(6,338)
Total comprehensive (expenses)/income for the period	-	-	(6,359)	133,929	-	-	82,332	209,902	91	(9,460)	(9,369)	200,533
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	152,994	152,994	152,994
Capital injection of a subsidiary attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	103,890	103,890	103,890
Acquisition of additional interests in subsidiaries	-	-	-	-	-	2,230	-	2,230	-	(58,333)	(58,333)	(56,103)
Employees' share option benefits for a subsidiary	-	-	-	-	-	-	-	-	185	24	209	209
Employees' share option of a subsidiary exercised	-	-	-	-	-	-	-	-	(252)	566	314	314
Employees' share option of a subsidiary lapsed	-	-	-	-	-	-	939	939	(822)	(117)	(939)	-
Employees' share option of the Company lapsed	-	-	-	-	(120)	-	120	-	-	-	-	-
Dividends paid to the shareholders of the Company – 2010 final dividend HK\$0.005 per share	-	(48,055)	-	-	-	-	-	(48,055)	-	-	-	(48,055)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	(16,303)	(16,303)	(16,303)
At 30 June 2011	961,107	4,099,488	207,996	375,543	4,425	(45,267)	73,250	5,676,542	-	283,390	283,390	5,959,932
<b>2012</b>												
At 1 January 2012	961,107	4,099,488	37,489	194,774	4,351	(45,267)	116,817	5,368,759	-	263,799	263,799	5,632,558
Profit for the period	-	-	-	-	-	-	115,630	115,630	-	13,116	13,116	128,746
Exchange differences arising from translation	-	-	-	(25,973)	-	-	-	(25,973)	-	930	930	(25,043)
Loss on fair value changes of available-for-sale investments	-	-	(68,927)	-	-	-	-	(68,927)	-	-	-	(68,927)
Total comprehensive (expenses)/income for the period	-	-	(68,927)	(25,973)	-	-	115,630	20,730	-	14,046	14,046	34,776
Capital injection of a subsidiary attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	9,360	9,360	9,360
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(1,323)	-	(1,323)	-	(8,037)	(8,037)	(9,360)
Employees' share option of the Company lapsed	-	-	-	-	(10)	-	10	-	-	-	-	-
Dividends paid to the shareholders of the Company – 2011 final dividend HK\$0.005 per share	-	(48,055)	-	-	-	-	-	(48,055)	-	-	-	(48,055)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	(16,666)	(16,666)	(16,666)
At 30 June 2012	961,107	4,051,433	(31,438)	168,801	4,341	(46,590)	232,457	5,340,111	-	262,502	262,502	5,602,613

	For the six months ended 30 June	
	2012	2011
	(unaudited) HK\$'000	(unaudited) HK\$'000
Net cash from operating activities	<b>222,320</b>	30,795
Net cash outflow from investing activities	<b>(156,393)</b>	(85,637)
Net cash inflow from financing activities	<b>132,268</b>	46,197
Increase/(decrease) in cash and cash equivalents	<b>198,195</b>	(8,645)
Cash and cash equivalents at beginning of the period	<b>380,415</b>	575,209
Cash and cash equivalents at end of the period	<b>578,610</b>	566,564

# 16 Notes to the Condensed Consolidated Financial Statements

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain properties and financial instruments which are measured at revaluated amounts or fair values.

The accounting policies used in preparing the interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2011 (the “2011 Financial Statements”), except for the amendments and interpretations of Hong Kong Financial Reporting Standards (“New HKFRSs”) issued by HKICPA which have become effective in this period as detailed in note 2 of the 2011 Financial Statements. The adoption of such New HKFRSs has no material impact on the accounting policies in the Group’s interim financial statements for the period.

## 2. TURNOVER AND SEGMENT INFORMATION

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

### A. Segment turnover

An analysis of the segment turnover is as follows:

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Agriculture-related	807,164	591,203
Health	1,482,908	1,123,731
Investment	5,979	5,257
	<b>2,296,051</b>	1,720,191

## 2. TURNOVER AND SEGMENT INFORMATION (CONT'D)

### B. Segment results

An analysis of the segment results is as follows:

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Segment results		
Agriculture-related	<b>142,544</b>	130,050
Health	<b>196,301</b>	115,138
Investment	<b>30,335</b>	24,772
	<b>369,180</b>	269,960
Business development expenditure	<b>(9,302)</b>	(8,660)
Research and development expenditure	<b>(94,535)</b>	(62,503)
Corporate expenses	<b>(43,824)</b>	(40,383)
Finance costs	<b>(45,695)</b>	(45,424)
Share of results of associates	<b>(1,730)</b>	11
Profit before taxation	<b>174,094</b>	113,001
Taxation	<b>(45,348)</b>	(52,002)
Profit for the period	<b>128,746</b>	60,999

## 3. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions, share-based payment and recruitment costs for the six months ended 30 June 2012 amounted to HK\$433.7 million (2011: HK\$351.0 million) of which HK\$222.1 million (2011: HK\$167.8 million) relating to direct labor costs was included in cost of sales.

#### 4. TAXATION

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Current tax		
Hong Kong	(686)	3,117
Other jurisdictions	58,790	61,847
Deferred tax		
Hong Kong	–	–
Other jurisdictions	(12,756)	(12,962)
	<b>45,348</b>	52,002

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

#### 5. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Profit for the period has been arrived at after crediting/(charging):		
Included in turnover:		
Rental income from investment properties	113,810	92,295
Included in other income, gains and losses:		
Interest income from bank deposits	5,240	6,149
Gain on acquisition of a subsidiary	–	138,518
Gain/(loss) on fair value change of investment properties and vines	260	(114,194)
Net gain on investments at fair value through profit or loss, and derivative financial instruments	10,467	13,754

## 6. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
<b>Profit for the period attributable to shareholders of the Company</b>		
Profit for calculating basic and diluted earnings per share	<b>115,630</b>	82,332
<b>Number of shares</b>		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	<b>9,611,073,000</b>	9,611,073,000

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options for the six months ended 30 June 2012 and 2011.

## 7. DIVIDENDS

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2012 (2011: Nil).

## 8. INVESTMENT PROPERTIES AND VINES

	Investment properties HK\$'000	Vines HK\$'000
<b>Valuation</b>		
At 1 January 2012	<b>813,502</b>	<b>537,571</b>
Additions	<b>1,187</b>	–
Disposals	<b>(8,015)</b>	–
Net increase in fair value recognised in profit or loss	<b>260</b>	–
Exchange differences	<b>5,119</b>	<b>2,888</b>
<b>At 30 June 2012</b>	<b>812,053</b>	<b>540,459</b>

## 8. INVESTMENT PROPERTIES AND VINES (CONT'D)

The investment properties and vines situated abroad were revalued by the Directors of the Group by reference to the independent valuations from accredited industry valuers. The valuation of investment properties was determined by reference to market evidence of recent transaction prices for similar properties and replacement cost approach. Valuations of vines are residuals from the valuation of vineyards after deducting value of investment properties and water rights. The valuations of vineyards are determined by discounting the expected future cash flows from the vineyards.

## 9. PROPERTY, PLANT AND EQUIPMENT

	Land and building 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
<b>Cost or valuation</b>						
At 1 January 2012	309,717	11,102	469,366	130,522	93,283	1,013,990
Additions	1,961	11,933	10,559	1,759	1,865	28,077
Arising from acquisition of subsidiaries	-	-	2,134	8,641	-	10,775
Reclassification	-	(7,520)	7,037	114	369	-
Disposals	-	-	(14,709)	(915)	-	(15,624)
Exchange differences	(1,007)	(38)	(2,806)	(1,768)	(51)	(5,670)
<b>At 30 June 2012</b>	<b>310,671</b>	<b>15,477</b>	<b>471,581</b>	<b>138,353</b>	<b>95,466</b>	<b>1,031,548</b>
<b>Depreciation and impairment</b>						
At 1 January 2012	17,414	-	265,954	110,605	44,055	438,028
Provided for the period	2,198	-	16,156	4,347	3,092	25,793
Elimination upon disposals	-	-	(13,291)	(625)	-	(13,916)
Exchange differences	(460)	-	(2,356)	(1,447)	(24)	(4,287)
<b>At 30 June 2012</b>	<b>19,152</b>	<b>-</b>	<b>266,463</b>	<b>112,880</b>	<b>47,123</b>	<b>445,618</b>
<b>Carrying Values</b>						
<b>At 30 June 2012</b>	<b>291,519</b>	<b>15,477</b>	<b>205,118</b>	<b>25,473</b>	<b>48,343</b>	<b>585,930</b>
At 31 December 2011	292,303	11,102	203,412	19,917	49,228	575,962

## 10. INTANGIBLE ASSETS

	Development costs	Patents	Goodwill	Trademarks	Customer relationship	Distribution network	Concession assets	Water rights	Other intangible assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>										
At 1 January 2012	475,353	198	3,116,035	97,849	388,644	-	122,966	183,301	3,953	4,388,299
Additions	9,360	-	-	-	-	-	-	-	-	9,360
Arising from acquisition of subsidiaries	-	-	126,191	-	-	31,911	-	-	6,028	164,130
Exchange differences	(1,025)	(1)	(7,788)	(359)	(539)	(1,167)	(311)	(463)	(235)	(11,888)
<b>At 30 June 2012</b>	<b>483,688</b>	<b>197</b>	<b>3,234,438</b>	<b>97,490</b>	<b>388,105</b>	<b>30,744</b>	<b>122,655</b>	<b>182,838</b>	<b>9,746</b>	<b>4,549,901</b>
<b>Amortisation and impairment</b>										
At 1 January 2012	597	162	-	-	198,479	-	49,930	3,856	1,879	254,903
Provided for the period	-	-	-	-	19,756	1,602	2,487	-	143	23,988
Exchange differences	(2)	-	-	-	(392)	(22)	(160)	(10)	(13)	(599)
<b>At 30 June 2012</b>	<b>595</b>	<b>162</b>	<b>-</b>	<b>-</b>	<b>217,843</b>	<b>1,580</b>	<b>52,257</b>	<b>3,846</b>	<b>2,009</b>	<b>278,292</b>
<b>Carrying values</b>										
<b>At 30 June 2012</b>	<b>483,093</b>	<b>35</b>	<b>3,234,438</b>	<b>97,490</b>	<b>170,262</b>	<b>29,164</b>	<b>70,398</b>	<b>178,992</b>	<b>7,737</b>	<b>4,271,609</b>
At 31 December 2011	474,756	36	3,116,035	97,849	190,165	-	73,036	179,445	2,074	4,133,396

## 11. RECEIVABLES AND PAYABLES

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

The ageing analysis of trade receivables and trade payables are as follows:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
<b>Trade receivables</b>		
0 – 90 days	<b>798,787</b>	671,660
Over 90 days	<b>87,043</b>	91,689
	<b>885,830</b>	763,349
<b>Trade payables</b>		
0 – 90 days	<b>330,880</b>	291,021
Over 90 days	<b>28,516</b>	4,879
	<b>359,396</b>	295,900

## 12. BANK BORROWINGS

Certain bank borrowings are secured by charges over the assets of certain subsidiary companies.

## 13. OTHER BORROWINGS

Included in the other borrowings are term loans of HK\$756 million obtained from certain substantial shareholders of the Company and their subsidiaries, which are unsecured, bearing interest with reference to Hong Kong Interbank Offered Rate plus margins ranging from 1% to 2% per annum, and with due dates ranging from January 2014 to February 2017. During the period, total interest expenses of HK\$5.4 million were incurred for these shareholder loans.

**14. SHARE CAPITAL**

	Number of shares of HK\$0.1 each '000	Nominal value HK\$'000
<b>Authorised</b>		
At 31 December 2011 and 30 June 2012	<b>15,000,000</b>	<b>1,500,000</b>
<b>Issued and fully paid</b>		
At 31 December 2011 and 30 June 2012	<b>9,611,073</b>	<b>961,107</b>

**15. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances set out elsewhere in the notes to the condensed consolidated financial statements, the Group entered into the following transactions with related parties during the six months ended 30 June 2012:

- (i) The Group made sales of HK\$16.2 million (2011: HK\$12.0 million) to Hutchison International Limited ("HIL") group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associate of a substantial shareholder of the Company, Cheung Kong (Holdings) Limited.
- (ii) The Group leased certain properties from Leknarf Associates LLC ("Leknarf") which is an associate of a non-controlling shareholder of a non-wholly owned subsidiary company, Vitaquest International Holdings LLC. The total rental payment by the Group to Leknarf amounted to HK\$8.4 million (2011: HK\$10.2 million).
- (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 the non-controlling shareholder of a non-wholly owned subsidiary company, Challenger Wine Trust. According to the management deed, CMSL is entitled to charge the Group management fees calculated at certain agreed ratios on the total gross income, capital acquisition costs and total assets of certain subsidiaries. During the period, management fees of HK\$6.2 million (2011: HK\$5.6 million) were incurred.

## 24 Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2012, 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 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:

### (1) 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	Other Interests		
Li Tzar Kuoi, Victor	Beneficial owner, interest of controlled corporations & beneficiary of trusts	2,250,000	-	2,835,759,715 (Note 2)	4,355,634,570 (Note 1)	7,193,644,285	74.84%
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%
Chu Kee Hung	Beneficial owner	2,250,000	-	-	-	2,250,000	0.02%
Peter Peace Tulloch	Beneficial owner	1,050,000	-	-	-	1,050,000	0.01%
Wong Yue-chim, Richard	Beneficial owner	375,000	-	-	-	375,000	0.004%
Kwok Eva Lee	Beneficial owner	200,000	-	-	-	200,000	0.002%

#### Notes:

- Such 4,355,634,570 shares are held by a subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong Holdings"). Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust ("TUT related companies") hold more than one-third of the issued share capital of Cheung Kong Holdings. Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2") hold all issued and outstanding units in the LKS Unity Trust but are not entitled to any interest or share in any particular property comprising the trust assets of the LKS Unity Trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard.

The entire issued share capital of TUT and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT is only interested in the shares of Cheung Kong Holdings by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of Cheung Kong Holdings independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

Notes (Cont'd):

By virtue of the above and as a discretionary beneficiary of each of DT1 and DT2 and as a Director of Cheung Kong Holdings, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the shares of Cheung Kong Holdings held by TUT as trustee of the LKS Unity Trust and TUT related companies and those 4,355,634,570 shares held by the subsidiary of Cheung Kong Holdings under the SFO as a Director of the Company. Although Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of Cheung Kong Holdings and has no duty of disclosure in relation to the shares of Cheung Kong Holdings held by TUT as trustee of the LKS Unity Trust and TUT related companies under the SFO.

Note: Effective from 16 July 2012, Mr. Li Tzar Kai, Richard ceased to have any interest in the issued share capital of Unity Holdco. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of Unity Holdco.

2. 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.

## (2) LONG POSITIONS IN THE UNDERLYING SHARES OF THE COMPANY

Pursuant to the share option scheme adopted by the Company on 26 June 2002 and revised on 16 March 2009 (the "Share Option Scheme"), certain Directors in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for shares of the Company, details of which as at 30 June 2012 were as follows:

Name of Director	Date of grant	Number of share options					Subscription price per share HK\$	
		Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding as at 30 June 2012		
Yu Ying Choi, Alan Abel	30/9/2002	348,440	-	-	-	348,440	30/9/2003 – 29/9/2012	1.422
	27/1/2003	775,560	-	-	-	775,560	27/1/2004 – 26/1/2013	1.286
	19/1/2004	775,560	-	-	-	775,560	19/1/2005 – 18/1/2014	1.568
Chu Kee Hung	30/9/2002	348,440	-	-	-	348,440	30/9/2003 – 29/9/2012	1.422
	27/1/2003	775,560	-	-	-	775,560	27/1/2004 – 26/1/2013	1.286
	19/1/2004	775,560	-	-	-	775,560	19/1/2005 – 18/1/2014	1.568

Save as disclosed above, during the six months ended 30 June 2012, none of the Directors or their respective associates was granted share options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2012, 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.

## 26 Details of Options Granted by the Company

The Company has adopted the Share Option Scheme under which the Directors or employees of the Company or its subsidiaries or certain other persons may be granted share options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

As at 30 June 2012, options to subscribe for an aggregate of 8,659,745 shares of the Company granted to certain continuous contract employees (including the Executive Directors of the Company as disclosed above) pursuant to the Share Option Scheme were outstanding, details of which were as follows:

Date of grant	Number of share options					Outstanding as at 30 June 2012	Option period	Subscription price per share HK\$
	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
30/9/2002	1,486,490	-	-	(4,496)	-	1,481,994	30/9/2003 – 29/9/2012 (Note 1)	1.422
27/1/2003	3,470,799	-	-	(8,992)	-	3,461,807	27/1/2004 – 26/1/2013 (Note 2)	1.286
19/1/2004	3,724,936	-	-	(8,992)	-	3,715,944	19/1/2005 – 18/1/2014 (Note 3)	1.568

Notes:

1. The options are exercisable from 30 September 2003 to 29 September 2012 (both days inclusive) subject to the following vesting periods:
  - (i) up to 35% of the options commencing on 30 September 2003;
  - (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 30 September 2004; and
  - (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 30 September 2005.

Notes (Cont'd):

2. The options are exercisable from 27 January 2004 to 26 January 2013 (both days inclusive) subject to the following vesting periods:
  - (i) up to 35% of the options commencing on 27 January 2004;
  - (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 27 January 2005; and
  - (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 27 January 2006.
  
3. The options are exercisable from 19 January 2005 to 18 January 2014 (both days inclusive) subject to the following vesting periods:
  - (i) up to 35% of the options commencing on 19 January 2005;
  - (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 19 January 2006; and
  - (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 19 January 2007.

## 28 Interests and Short Positions of Shareholders

So far as is known to any Director or chief executive of the Company, as at 30 June 2012, 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 or otherwise notified to the Company 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%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	4,355,634,570 (Note iii)	45.31%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	4,355,634,570 (Note iii)	45.31%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	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	Founder of discretionary trusts & interest of controlled corporations	7,191,394,285 (Note v)	74.82%

**(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, Cheung Kong Holdings is deemed to be interested in the same number of shares which Gotak Limited is deemed to be interested under the SFO.
- iii. TUT as trustee of the LKS Unity Trust and TUT related companies hold more than one-third of the issued share capital of Cheung Kong Holdings. TDT1 as trustee of DT1 and TDT2 as trustee of DT2 hold all issued and outstanding units in the LKS Unity Trust but are not entitled to any interest or share in any particular property comprising the trust assets of the LKS Unity Trust. Under the SFO, each of TUT as trustee of the LKS Unity Trust, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is deemed to be interested in the same block of shares as Cheung Kong Holdings is deemed to be interested as disclosed in Note ii above.
- 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. As Mr. Li Ka-shing owns one-third of the issued share capital of Unity Holdco which in turn holds the entire issued share capital of TUT, TDT1 and TDT2 and is the settlor and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in the same number of shares in which Cheung Kong Holdings is deemed to be interested as mentioned above under the SFO.

In addition, 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 30 June 2012, 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.

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

Subject to as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (“CG Code”) during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board and the Chief Executive Officer. In respect of code provision A.6.7 of the CG Code, Professor Wong Yue-chim, Richard, an independent non-executive director was unable to attend the annual general meeting of the Company held on 24 May 2012 due to an overseas engagement.

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

## (1) BOARD COMPOSITION AND BOARD PRACTICES

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders' value. The Board consists of a total of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. At least 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 as required by the Listing Rules. 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 positions of the Chairman of the Board and the Chief Executive Officer are currently held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group's business.

All Directors have made active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group. In addition to regular Board meetings, the Chairman of the Board meets with the Non-executive Directors (including Independent Non-executive Directors) without the presence of the Executive Directors at least once every year.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The Company Secretary and the Compliance Officer are also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, SFO and other applicable laws, rules and regulations.

## **(2) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the model code for securities transactions by directors of listed issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 8 September 2008, which will be amended from time to time. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2012.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Personnel Manual of the Company.

## **(3) INTERNAL CONTROLS**

The Company has an internal audit function in place to provide an independent assessment of the Group's internal control system and review of its effectiveness in accordance with the CG Code. The Internal Audit Department prepares its audit plan using a risk based methodology in consultation with, but independent of, the management for review by the audit committee ("Audit Committee"). The audit work focuses on financial, functional and information technology areas within the audited business units and those areas of the Group's activities with significant perceived risks. An integral part of the internal audit function is to monitor and ensure effective implementation of these internal control systems.

The Board, through the Audit Committee, has conducted a review of the effectiveness of internal control system of the Group for the six months ended 30 June 2012.

## **(4) AUDIT COMMITTEE**

The Company established the Audit Committee on 26 June 2002 and has formulated its written terms of reference, which may from time to time be modified, in accordance with the provisions set out in the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely, Professor Wong Yue-chim, Richard (Chairman of the Audit Committee), Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group's interim report for the six months ended 30 June 2012 has been reviewed by the Audit Committee.

## **(5) REMUNERATION COMMITTEE**

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

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 from time to time.

## **(6) INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS**

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 (or are deemed to have consented) 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) regular press conferences and briefing meetings with analysts are arranged from time to time to update interested parties 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 compliance with the CG Code, the Company has established a shareholders communication policy in March 2012 which is subject to review on a regular basis to ensure its effectiveness.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES**

On 22 August 2011, Ample Castle Limited ("Ample"), an indirect wholly-owned subsidiary of the Company, as borrower and the Company together with Isnecca Pty Limited, Accensi Pty Ltd, Apil Healthcare Int'l Pty Ltd, Lipa Pharmaceuticals Ltd and Amgrow Pty Ltd, all being indirect wholly-owned subsidiaries of the Company, as guarantors entered into a facility agreement (the "Agreement") with Commonwealth Bank of Australia, Singapore Branch ("CBA Singapore") under which a 3-year term loan of HK\$480 million (the "Facility") was granted to Ample by CBA Singapore for the purpose of loan refinancing. As at 30 June 2012, the outstanding balance of the Facility amounted to HK\$480 million. The Agreement requires at least 44.01% direct or indirect interest in the Company to be maintained by Cheung Kong Holdings (the Company's controlling shareholder). The obligation has been complied with.

## **RISK FACTORS**

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The risk factors set out in the Company's Annual Report 2011 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 in the Company's Annual Report 2011 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 interim 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.

## 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>
CHU Kee Hung	<i>Vice President and Chief Scientific Officer</i>

### Non-executive Directors

Peter Peace TULLOCH	<i>Non-executive Director</i>
WONG Yue-chim, Richard	<i>Independent Non-executive Director</i>
KWOK Eva Lee	<i>Independent Non-executive Director</i>
Colin Stevens RUSSEL	<i>Independent Non-executive Director</i>

## AUDIT COMMITTEE

WONG Yue-chim, Richard (*Chairman*)  
 KWOK Eva Lee  
 Colin Stevens RUSSEL

## REMUNERATION COMMITTEE

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

## 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

The Hongkong and Shanghai Banking Corporation Limited  
Canadian Imperial Bank of Commerce  
Commonwealth Bank of Australia  
National Australia Bank Limited  
Royal Bank of Canada

### AUDITOR

Deloitte Touche Tohmatsu

### LEGAL ADVISERS

Woo, Kwan, Lee & Lo  
Baker & McKenzie

### REGISTERED OFFICE

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

### HEAD OFFICE

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

### PRINCIPAL PLACE OF BUSINESS

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House  
68 Fort Street, P.O. Box 705  
Grand Cayman  
KY1-1107  
Cayman Islands

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### STOCK CODES

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

### WEBSITE

[www.ck-lifesciences.com](http://www.ck-lifesciences.com)

### KEY DATE

Interim Results Announcement 19 July 2012