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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)

INTERIM RESULTS FOR 2014

2014 FIRST HALF RESULTS

CK Life Sciences Int'l. (Holdings) Inc. (“CK Life Sciences” or the “Company”) delivered a steady performance during the first half of 2014.

For the six months ended 30 June 2014, the Company recorded profit attributable to shareholders of HK\$146.6 million, a 5% increase over the corresponding period in 2013.

The Board of Directors has not declared any interim dividend for the period under review (2013: Nil).

AGRICULTURE-RELATED BUSINESS

During the period under review, the Company’s agriculture-related business recorded a revenue of HK\$1,092.5 million, representing an increase of 13% over the same period last year.

The period under review represented a full six-month of profit contribution from Cheetham Salt Limited, which was acquired in February 2013 and Northbank Millennium Vineyard, which was acquired in October 2013.

In April 2014, CK Life Sciences further expanded its vineyard portfolio through the acquisition of the Mud House Vineyards in New Zealand for NZ\$46.4 million (approximately HK\$310 million). Like most of our other vineyard assets, the Mud House Vineyards are backed by long term tenancy agreements poised to provide the Company with an immediate and steady recurrent income. The acquisition has further strengthened CK Life Sciences' present position as the second largest vineyard owner in Australasia, and one of the top ten largest vineyard owners in the world. The Company now owns 16 vineyards in Australia and 9 vineyards in New Zealand, amounting to about 7,300 hectares of land (approximately 785 million sq. ft.).

All other agriculture-related businesses continued to perform satisfactorily.

NUTRACEUTICAL BUSINESS

CK Life Sciences' nutraceutical business consists of Santé Naturelle A.G. Ltée in Canada, Vitaquest International Holdings LLC in the United States, and Lipa Pharmaceuticals Limited in Australia.

Turnover of nutraceutical business amounted to HK\$1,321.0 million, a 13% decline from last year.

Sales in North America showed moderate growth, with powders contributing to a strong open order pool in Vitaquest.

In Australia, the relative weakness of the Australian dollar compared with the same period last year impacted performance, which also witnessed reduced orders from a large customer depleting excess inventory built up last year.

RESEARCH AND DEVELOPMENT

Good progress was made on the R&D front.

Polynoma LLC ("Polynoma"), which focuses on developing the cancer immunotherapy POL-103A for the treatment of melanoma, completed patient enrollment for the first part of the Phase III clinical trial; and safety and immunological data have been reviewed. Planning for the second part of the study is being carried out.

Data analysis for the Phase III clinical trial of WEX Pharmaceuticals Inc.'s tetrodotoxin ("TTX")-based cancer pain management product in Canada is progressing well, and the Company has been engaging Health Canada in discussions on a potential filing for registration.

PROSPECTS

We are in good spirits about the prospects of our businesses going forward.

The recent acquisitions of Cheetham Salt Limited, the Northbank Millennium Vineyard and the Mud House Vineyards have strengthened our agriculture-related business and boosted our earnings.

The steady performance and organic growth from our other existing businesses are also poised to continue to enhance our revenue stream.

We are encouraged by the recent progress of the R&D activities which are approaching key milestones. Adequate funding will be deployed to support our R&D projects; the expenses of which will continue to be reflected in the Consolidated Income Statement.

Our strategy of funding R&D projects with revenues generated from our business operations has been effective. We will continue to leverage our sound fundamentals to strengthen our investment portfolio and enhance our profitability. In addition, we will continue to seek new opportunities to acquire quality assets that will further propel our growth momentum.

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

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 22 July 2014

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 30 June 2014, the total assets of the Group were about HK\$10,660.7 million, of which bank balances and time deposits were about HK\$658.4 million and treasury investments were about HK\$341.5 million. The bank interest generated for the first six months of 2014 was HK\$3.3 million. The net gain arising from the Group's investment segment for the period ended 30 June 2014 was HK\$16.8 million.

At the end of the period under review, the total liabilities of the Group were HK\$5,144.7 million, comprising borrowings from banks and major shareholders amounted to HK\$2,628.0 million and HK\$1,356.0 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 2014 was HK\$54.7 million.

As at 30 June 2014, the net debt to net total capital ratio of the Group was approximately 37.62%, 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 net asset value of the Group was HK\$0.57 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. Most of 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 2014, certain assets of the Group's subsidiary companies with carrying value of HK\$1,863.5 million were pledged as part of the security for bank borrowings totalling HK\$718.5 million granted to the subsidiary companies.

Material Acquisitions/Disposals and Significant Investments

Except for the disposal of AquaTower Pty Ltd as detailed in note 14 to the condensed consolidated financial statements, 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\$81.5 million for the period ended 30 June 2014.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 30 June 2014, the total capital commitments by the Group amounted to HK\$9.0 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and equipment, and building improvement.

Information on Employees

The total number of full-time employees of the Group was 1,635 as at 30 June 2014, and is 8 more than the total headcount of 1,627 as at 30 June 2013. The total staff costs, including director's emoluments, amounted to approximately HK\$444.4 million for the six months ended 30 June 2014, which represents a decrease of 5% as compared to the same period of 2013. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2013.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2014.

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2014	2013
		(unaudited) HK\$'000	(unaudited) HK\$'000
Turnover	3	2,416,792	2,481,175
Cost of sales		<u>(1,588,252)</u>	<u>(1,617,659)</u>
		828,540	863,516
Other income, gains and losses		18,761	19,282
Staff costs	4	(244,274)	(242,918)
Depreciation		(11,194)	(10,303)
Amortisation of intangible assets		(22,260)	(26,925)
Other expenses		(369,579)	(391,890)
Finance costs		(54,741)	(49,241)
Share of the results of associates and joint ventures		<u>24,712</u>	<u>17,156</u>
Profit before taxation		169,965	178,677
Taxation	5	<u>(15,112)</u>	<u>(30,966)</u>
Profit for the period	6	<u>154,853</u>	<u>147,711</u>
Attributable to:			
Shareholders of the Company		146,608	139,928
Non-controlling interests of subsidiaries		<u>8,245</u>	<u>7,783</u>
		<u>154,853</u>	<u>147,711</u>
Earnings per share	7		
- Basic		<u>1.53 cents</u>	<u>1.46 cents</u>
- Diluted		<u>1.53 cents</u>	<u>1.46 cents</u>

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>154,853</u>	<u>147,711</u>
Other comprehensive income/(expenses)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	236,174	(555,606)
Gain/(loss) on fair value changes of available-for-sale investments	<u>1,738</u>	<u>(37,708)</u>
Other comprehensive income/(expenses) for the period	<u>237,912</u>	<u>(593,314)</u>
Total comprehensive income/(expenses) for the period	<u>392,765</u>	<u>(445,603)</u>
Total comprehensive income/(expenses) attributable to:		
Shareholders of the Company	376,684	(429,458)
Non-controlling interests of subsidiaries	<u>16,081</u>	<u>(16,145)</u>
	<u>392,765</u>	<u>(445,603)</u>

Condensed Consolidated Statement of Financial Position

		As at 30 June 2014 (unaudited) <u>HK\$'000</u>	As at 31 December 2013 (audited) <u>HK\$'000</u>
	Notes		
Non-current assets			
Investment properties	9	1,167,431	926,897
Vines	9	709,150	539,502
Property, plant and equipment	10	1,221,528	1,177,459
Intangible assets	11	4,044,489	4,002,647
Interests in associates and joint ventures		390,518	365,531
Available-for-sale investments		291,253	289,515
Deferred taxation		42,937	31,447
		<u>7,867,306</u>	<u>7,332,998</u>
Current assets			
Investments at fair value through profit or loss		44,043	43,924
Derivative financial instruments		6,175	6,182
Tax recoverable		31,307	15,705
Inventories		1,026,269	952,912
Receivables and prepayments	12	1,027,251	1,036,987
Bank balances and deposits	13	658,362	767,661
		<u>2,793,407</u>	<u>2,823,371</u>
Assets classified as held for sale	14	-	63,409
		<u>2,793,407</u>	<u>2,886,780</u>
Current liabilities			
Payables and accruals	12	(1,023,254)	(1,089,290)
Derivative financial instruments		(5,145)	(5,062)
Bank borrowings	15	(961,269)	(950,758)
Finance lease obligations		(312)	(758)
Other borrowings	16	-	(75,000)
Taxation		(86,015)	(58,846)
		<u>(2,075,995)</u>	<u>(2,179,714)</u>
Liabilities associated with assets classified as held for sale	14	-	(36,027)
		<u>(2,075,995)</u>	<u>(2,215,741)</u>
Net current assets		<u>717,412</u>	<u>671,039</u>
Total assets less current liabilities		<u>8,584,718</u>	<u>8,004,037</u>

Condensed Consolidated Statement of Financial Position (cont'd)

		As at 30 June 2014 (unaudited) <u>HK\$'000</u>	As at 31 December 2013 (audited) <u>HK\$'000</u>
	Notes		
Non-current liabilities			
Bank borrowings	15	(1,666,760)	(1,479,931)
Finance lease obligations		(1,028)	(243)
Other borrowings	16	(1,356,000)	(1,281,000)
Deferred taxation		(44,962)	(42,568)
		<u>(3,068,750)</u>	<u>(2,803,742)</u>
Total net assets		<u><u>5,515,968</u></u>	<u><u>5,200,295</u></u>
Capital and reserves			
Share capital	17	961,107	961,107
Share premium and reserves		4,321,188	4,015,830
		<u>5,282,295</u>	<u>4,976,937</u>
Equity attributable to shareholders of the Company		<u>5,282,295</u>	<u>4,976,937</u>
Non-controlling interests of subsidiaries		233,673	223,358
		<u>5,515,968</u>	<u>5,200,295</u>
Total equity		<u><u>5,515,968</u></u>	<u><u>5,200,295</u></u>

Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company								Attributable to Non-controlling interests of subsidiaries (unaudited)	Total (unaudited)	
	Share capital (unaudited)	Share premium (unaudited)	Investment revaluation reserve (unaudited)	Asset revaluation reserve (unaudited)	Translation reserve (unaudited)	Employee share-based compensation reserve (unaudited)	Other reserves (unaudited)	Retained earnings (unaudited)			Sub-total (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			HK\$'000
2013											
At 1 January 2013	961,107	4,051,433	77,756	-	232,493	4,166	(156,476)	293,333	5,463,812	259,886	5,723,698
Profit for the period	-	-	-	-	-	-	-	139,928	139,928	7,783	147,711
Exchange differences arising from translation	-	-	-	-	(531,678)	-	-	-	(531,678)	(23,928)	(555,606)
Loss on fair value changes of available-for-sale investments	-	-	(37,708)	-	-	-	-	-	(37,708)	-	(37,708)
Total comprehensive (expenses)/income for the period	-	-	(37,708)	-	(531,678)	-	-	139,928	(429,458)	(16,145)	(445,603)
Employees' share option of the Company lapsed	-	-	-	-	-	(1,646)	-	1,646	-	-	-
Dividends paid to the shareholders of the Company – 2012 final dividend HK\$0.006 per share	-	(57,666)	-	-	-	-	-	-	(57,666)	-	(57,666)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	(14,465)	(14,465)
At 30 June 2013	961,107	3,993,767	40,048	-	(299,185)	2,520	(156,476)	434,907	4,976,688	229,276	5,205,964
2014											
At 1 January 2014	961,107	3,993,767	34,114	34,379	(390,892)	2,502	(182,045)	524,005	4,976,937	223,358	5,200,295
Profit for the period	-	-	-	-	-	-	-	146,608	146,608	8,245	154,853
Exchange differences arising from translation	-	-	-	-	228,338	-	-	-	228,338	7,836	236,174
Gain on fair value changes of available-for-sale investments	-	-	1,738	-	-	-	-	-	1,738	-	1,738
Total comprehensive income for the period	-	-	1,738	-	228,338	-	-	146,608	376,684	16,081	392,765
Addition in interests in a subsidiary	-	-	-	-	-	-	(4,776)	-	(4,776)	4,776	-
Disposal of a non-wholly owned subsidiary	-	-	-	-	728	-	-	-	728	(2,872)	(2,144)
Employees' share option of the Company lapsed	-	-	-	-	-	(2,502)	-	2,502	-	-	-
Dividends paid to the shareholders of the Company – 2013 final dividend HK\$0.007 per share	-	(67,278)	-	-	-	-	-	-	(67,278)	-	(67,278)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	(7,670)	(7,670)
At 30 June 2014	961,107	3,926,489	35,852	34,379	(161,826)	-	(186,821)	673,115	5,282,295	233,673	5,515,968

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	140,933	108,125
Net cash outflow from investing activities	(300,938)	(1,125,095)
Net cash inflow from financing activities	23,229	1,030,520
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	(136,776)	13,550
Cash and cash equivalents at beginning of the period	769,212	572,113
Effect of foreign exchange rate changes	12,657	(34,418)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	645,093	551,245
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Bank balances and deposits	658,362	553,791
Bank overdrafts (included in bank borrowings)	(13,269)	(2,546)
	<hr/>	<hr/>
	645,093	551,245
	<hr/>	<hr/>

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.

2. Significant Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain properties, salt fields, vines 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 2013 (the “2013 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 2013 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.

3. 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	
	2014	2013
	HK\$'000	HK\$'000
Agriculture-related	1,092,449	965,455
Health	1,320,996	1,511,964
Investment	3,347	3,756
	<u>2,416,792</u>	<u>2,481,175</u>

B. Segment results

An analysis of the segment results is as follows:

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Segment results		
Agriculture-related	151,673	157,298
Health	192,916	217,256
Investment	16,804	13,042
	<u>361,393</u>	<u>387,596</u>
Business development expenditure	(10,634)	(10,280)
Research and development expenditure	(81,496)	(103,178)
Corporate expenses	(44,557)	(46,220)
Finance costs	(54,741)	(49,241)
	<u>169,965</u>	<u>178,677</u>
Profit before taxation	169,965	178,677
Taxation	(15,112)	(30,966)
	<u>154,853</u>	<u>147,711</u>

4. 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 2014 amounted to HK\$444.4 million (2013: HK\$468.9 million) of which HK\$200.1 million (2013: HK\$226.0 million) relating to direct labor costs was included in cost of sales.

5. Taxation

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Current tax		
Hong Kong	-	181
Other jurisdictions	18,847	41,438
Deferred tax		
Other jurisdictions	(3,735)	(10,653)
	<u>15,112</u>	<u>30,966</u>

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.

6. Profit for the Period

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period has been arrived at after crediting/(charging):		
Included in turnover:		
Rental income from investment properties	76,982	94,422
Included in other income, gains and losses:		
Interest income from bank deposits	3,283	4,996
Loss on fair value change of investment properties and vines	-	(131)
Net gain on investments at fair value through profit or loss, and derivative financial instruments	<u>7,339</u>	<u>5,746</u>

7. 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	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	<u>146,608</u>	<u>139,928</u>
Number of shares		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	<u>9,611,073,000</u>	<u>9,611,073,000</u>

Diluted earnings per share for the period ended 30 June 2014 is the same as the basic earnings per share as there were no dilutive ordinary shares outstanding.

The computation of diluted earnings per share for the period ended 30 June 2013 did not assume the exercise of the Company's outstanding share options.

8. Dividends

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2014 (2013: Nil).

9. Investment Properties and Vines

	Investment properties	Vines
	HK\$'000	HK\$'000
Valuation		
At 1 January 2014	926,897	539,502
Additions	178,328	131,838
Exchange differences	62,206	37,810
At 30 June 2014	<u>1,167,431</u>	<u>709,150</u>

10. Property, Plant and Equipment

	Land and building	Salt fields	Construction in progress	Laboratory instruments, plant and equipment	Furniture, fixtures and other assets	Leasehold improvement	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation							
At 1 January 2014	402,724	266,934	55,362	640,781	148,544	127,307	1,641,652
Additions	-	-	28,975	7,519	3,899	291	40,684
Reclassification	3,790	2,064	(32,957)	11,349	2,076	13,678	-
Disposals	-	-	-	(4,381)	(7,372)	-	(11,753)
Exchange differences	14,326	15,515	1,942	22,015	2,659	3,139	59,596
At 30 June 2014	420,840	284,513	53,322	677,283	149,806	144,415	1,730,179
Depreciation and impairment							
At 1 January 2014	7,738	-	-	284,277	118,374	53,804	464,193
Provided for the period	5,750	-	-	32,339	5,670	3,104	46,863
Elimination upon disposals	-	-	-	(4,241)	(6,505)	-	(10,746)
Exchange differences	186	-	-	6,090	1,508	557	8,341
At 30 June 2014	13,674	-	-	318,465	119,047	57,465	508,651
Carrying Values							
At 30 June 2014	407,166	284,513	53,322	358,818	30,759	86,950	1,221,528
At 31 December 2013	394,986	266,934	55,362	356,504	30,170	73,503	1,177,459

11. Intangible Assets

	Development costs	Patents	Goodwill	Trademarks	Customer relationship	Water rights	Other intangible assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost								
At 1 January 2014	465,106	173	3,077,452	126,129	418,044	188,395	9,176	4,284,475
Additions	-	-	-	-	-	2,359	40	2,399
Exchange differences	(1,366)	10	44,028	2,532	11,834	10,979	360	68,377
At 30 June 2014	463,740	183	3,121,480	128,661	429,878	201,733	9,576	4,355,251
Amortisation and impairment								
At 1 January 2014	572	142	-	-	271,949	4,014	5,151	281,828
Provided for the period	-	-	-	-	21,341	-	919	22,260
Exchange differences	(2)	9	-	-	6,260	232	175	6,674
At 30 June 2014	570	151	-	-	299,550	4,246	6,245	310,762
Carrying values								
At 30 June 2014	463,170	32	3,121,480	128,661	130,328	197,487	3,331	4,044,489
At 31 December 2013	464,534	31	3,077,452	126,129	146,095	184,381	4,025	4,002,647

12. 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 2014	As at 31 December 2013
	HK\$'000	HK\$'000
Trade receivables		
0 - 90 days	778,676	808,427
Over 90 days	55,467	53,046
	834,143	861,473
Trade payables		
0 - 90 days	357,898	386,115
Over 90 days	10,877	6,448
	368,775	392,563

13. Cash and Cash Equivalents

	As at 30 June 2014	As at 31 December 2013
	HK\$'000	HK\$'000
Bank balances and deposits	658,362	767,661
Bank balances and deposits included in assets classified as held for sale	-	4,309
Bank overdrafts included in bank borrowings	(13,269)	(2,758)
	645,093	769,212

14. Assets Classified As Held For Sale

As detailed in note 39 to the 2013 Financial Statements and the announcement of the Company dated 19 December 2013, the Group entered into a sale and purchase agreement to dispose of its entire interests in a non-wholly owned subsidiary, AquaTower Pty Ltd (“AquaTower”), to an independent third party. AquaTower is a limited liability company incorporated under the laws of Australia and is principally engaged in water business in Australia. The transaction was completed in June 2014 with a gain of approximately HK\$1.7 million.

15. Bank Borrowings

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

16. Other Borrowings

Included in the other borrowings are term loans of HK\$1,356.0 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 1.75% to 2% per annum, and with due date in February 2017. During the period, total interest expenses of HK\$13.4 million (2013: HK\$10.6 million) were incurred for these shareholder loans.

17. Share Capital

	<u>Number of share of HK\$0.1 each</u> ’000	<u>Nominal value</u> HK\$’000
Authorised		
At 31 December 2013 and 30 June 2014	<u>15,000,000</u>	<u>1,500,000</u>
Issued and fully paid		
At 31 December 2013 and 30 June 2014	<u>9,611,073</u>	<u>961,107</u>

18. Fair Value Measurement of Financial Instruments

Financial Instruments measured at fair value on a recurring basis

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 June 2014				
Available-for-sale investments				
Equity securities – listed in Hong Kong	133,253	-	-	133,253
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	44,043	-	-	44,043
Derivative financial assets	-	6,175	-	6,175
Total	44,043	6,175	-	50,218
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	5,145	-	5,145
As at 31 December 2013				
Available-for-sale investments				
Equity securities – listed in Hong Kong	131,515	-	-	131,515
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	43,924	-	-	43,924
Derivative financial assets	-	6,182	-	6,182
Total	43,924	6,182	-	50,106
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	5,062	-	5,062

There were no transfers between Levels 1 and 2 during the six months ended 30 June 2014 and 2013.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of derivative financial assets and liabilities is determined using discounted cash flow method and future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

19. 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 2014:

- (i) The Group made sales of HK\$10.5 million (2013: HK\$13.9 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\$8.8 million (2013: HK\$8.6 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, Belvino Investments 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\$6.1 million (2013: HK\$6.2 million) were incurred.
- (iv) The Group made sales of HK\$54.7 million (2013: HK\$41.4 million) to and purchase of HK\$8.8 million (2013: HK\$4.5 million) from joint ventures of Cheetham Salt Limited, a wholly owned subsidiary of the Company during the period.

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

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

Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2014. 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.

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

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 26 June 2002 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely, 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 results for the six months ended 30 June 2014 have been reviewed by the Audit Committee.

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.

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