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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 2015

2015 FIRST HALF RESULTS

For the six months ended 30 June 2015, CK Life Sciences Int'l. (Holdings) Inc. (“CK Life Sciences” or the “Company”) recorded profit attributable to shareholders of HK\$190.8 million, an increase of 30% over the same period last year.

The Board of Directors has not declared any interim dividend for the period under review (2014: Nil).

AGRICULTURE-RELATED BUSINESS

Profit of the Company’s agriculture-related business amounted to HK\$156.2 million, a 3% increase compared to the same period last year. This result was impacted by a lower Australian dollar exchange rate against the Hong Kong dollar during the period under review. Taking out the currency impact, a growth of approximately 16% would have been recorded.

In January 2015, CK Life Sciences acquired three of McWilliam’s vineyards in Australia for A\$15.7 million (approximately HK\$100 million). These newly acquired vineyards are backed by long term tenancy agreements and have been providing the Company with immediate and steady recurrent income.

Following this acquisition, CK Life Sciences’ vineyard portfolio now features 28 vineyards in Australasia, with total area amounting to approximately 8,700 hectares.

During the period under review, favourable weather conditions in Australia stimulated demand for fertilizers, insecticides and other plant protection products.

The performance of Accensi Pty Ltd (“Accensi”), the toll manufacturer of crop protection products, was boosted by a sizable increase in business volume with all its existing plants working at close to full capacity.

In response to the increased demand, Accensi expanded its business in May 2015 by opening a new manufacturing facility in Victoria.

With the new facility in Victoria in the south, and the existing facilities in Queensland in the north and Western Australia in the west, Accensi’s customer base has been widened, local transportation cost optimised, and customer service in the different regions enhanced.

NUTRACEUTICAL BUSINESS

The Company’s portfolio of nutraceutical business delivered an 8% increase in profit contribution, amounting to HK\$208.5 million. This result has been impacted by the weakening of the Australian dollar. Had the results been recorded in local currencies, a growth of approximately 17% would have been recorded.

During the period under review, businesses in the portfolio performed well and they are all upgrading their facilities to meet increased customer demands:

- In Canada, Santé Naturelle A.G. Ltée is in the process of upgrading its plant to increase storage space.
- In the United States, plans are in place for Vitaquest International Holdings LLC to further automate its powder and packaging operations. This will be completed by the end of the year.
- In Australia, Lipa Pharmaceuticals Limited has commenced its initiative to increase the capacity for the manufacturing of tablets in a new site. It will be operational in the first half of 2016.

RESEARCH AND DEVELOPMENT

CK Life Sciences’ R&D activities achieved three major milestones during the period under review.

1. Polynoma completed first part of Phase III US FDA-approved clinical trial

Polynoma LLC has completed the first part of the Phase III US FDA (United States Food and Drug Administration)-approved clinical trial for the cancer vaccine developed for the treatment of melanoma. The second part of the clinical trial commenced in January 2015. Close to 100 patients have been enrolled to date in this part of the trial.

2. WEX completed all data analyses of Phase III clinical trial in Canada of TTX for cancer-related pain

As for WEX Pharmaceuticals Inc.'s tetrodotoxin ("TTX")-based cancer pain management product, all data analyses of the Phase III clinical trial conducted in Canada have been completed. Preparations to file a New Drug Submission to Health Canada for the marketing of TTX are being carried out.

3. WEX completed US FDA-approved Phase II clinical trial of TTX for chemotherapy-induced neuropathic pain

In the United States, a successful outcome was achieved for TTX at the End-of-Phase II meeting with the FDA following the completion of the US FDA-approved Phase II clinical trial. Planning for the Phase III clinical trial has commenced.

PROSPECTS

CK Life Sciences is in good spirits about its future prospects.

The continued organic growth of our existing businesses, and our recently acquired high quality assets have provided the Company with steady income flows and stable returns.

On the R&D front, stable progress towards new milestones are being made in the respective projects. Adequate funding will be deployed to support these initiatives.

Going forward, the Company will continue to adhere to its three-pronged strategy to deliver growth to our shareholders:

- (1) Facilitate organic growth
- (2) Continue acquisition efforts
- (3) Intensify pace of research and commercialisation of products

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, 21 July 2015

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 30 June 2015, the total assets of the Group were about HK\$9,948.2 million, of which bank balances and time deposits were about HK\$711.9 million and treasury investments were about HK\$321.8 million. The bank interest generated for the first six months of 2015 was HK\$1.8 million. The net gain arising from the Group's investment segment for the period ended 30 June 2015 was HK\$59.5 million.

At the end of the period under review, the total liabilities of the Group were HK\$5,288.7 million, comprising borrowings from banks and major shareholders amounted to HK\$2,845.6 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 2015 was HK\$53.5 million.

As at 30 June 2015, the net debt to net total capital ratio of the Group was approximately 42.83%, 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\$0.48 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 2015, certain assets of the Group's subsidiary companies with carrying value of HK\$1,270.3 million were pledged as part of the security for bank borrowings totalling HK\$596.6 million granted to the subsidiary companies.

Material Acquisitions/Disposals and Significant Investments

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

The Group has always been investing significantly in research and development activities. Such expenditure amounted to about HK\$94.2 million for the period ended 30 June 2015.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 30 June 2015, the total capital commitments by the Group amounted to HK\$92.4 million which were mainly made up of contracted commitments in respect of the acquisition of plant and equipment, and maintenance of vineyards.

Information on Employees

The total number of full-time employees of the Group was 1,695 as at 30 June 2015, and is 60 more than the total headcount of 1,635 as at 30 June 2014. The total staff costs, including director's emoluments, amounted to approximately HK\$462.4 million for the six months ended 30 June 2015, which represents an increase of 4.1% as compared to the same period of 2014. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2014.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2015.

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2015	2014
		(unaudited) HK\$'000	(unaudited) HK\$'000
Turnover	3	2,449,263	2,416,792
Cost of sales		<u>(1,586,157)</u>	<u>(1,588,252)</u>
		863,106	828,540
Other income, gains and losses		84,207	18,761
Staff costs	4	(244,175)	(244,274)
Depreciation		(11,137)	(11,194)
Amortisation of intangible assets		(20,249)	(22,260)
Other expenses		(417,807)	(369,579)
Finance costs		(53,451)	(54,741)
Share of the results of associates and joint ventures		<u>20,205</u>	<u>24,712</u>
Profit before taxation		220,699	169,965
Taxation	5	<u>(26,787)</u>	<u>(15,112)</u>
Profit for the period	6	<u>193,912</u>	<u>154,853</u>
Attributable to:			
Shareholders of the Company		190,806	146,608
Non-controlling interests of subsidiaries		<u>3,106</u>	<u>8,245</u>
		<u>193,912</u>	<u>154,853</u>
Earnings per share	7		
- Basic		<u>1.99 cents</u>	<u>1.53 cents</u>
- Diluted		<u>1.99 cents</u>	<u>1.53 cents</u>

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period	193,912	154,853
Other comprehensive (expenses)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	(309,867)	236,174
Gain on fair value changes of available-for-sale investments	15,966	1,738
Reclassification adjustment upon disposal of available-for-sale investments	(24,236)	-
Other comprehensive (expenses)/income for the period	(318,137)	237,912
Total comprehensive (expenses)/income for the period	(124,225)	392,765
Total comprehensive (expenses)/income attributable to:		
Shareholders of the Company	(112,593)	376,684
Non-controlling interests of subsidiaries	(11,632)	16,081
	(124,225)	392,765

Condensed Consolidated Statement of Financial Position

		As at 30 June 2015 (unaudited) <u>HK\$'000</u>	As at 31 December 2014 (audited) <u>HK\$'000</u>
	Notes		
Non-current assets			
Investment properties	9	1,109,521	1,141,481
Vines	9	518,699	549,113
Property, plant and equipment	10	1,158,456	1,136,213
Intangible assets	11	3,678,588	3,785,560
Interests in joint ventures		313,659	336,159
Available-for-sale investments		281,475	314,815
Deferred taxation		42,422	33,767
		<u>7,102,820</u>	<u>7,297,108</u>
Current assets			
Investments at fair value through profit or loss		36,196	54,540
Derivative financial instruments		4,097	5,207
Tax recoverable		31,540	4,916
Inventories		998,989	971,149
Receivables and prepayments	12	1,062,658	985,230
Bank balances and deposits	13	711,917	979,200
		<u>2,845,397</u>	<u>3,000,242</u>
Current liabilities			
Payables and accruals	12	(935,723)	(946,291)
Derivative financial instruments		(3,647)	(4,479)
Bank borrowings	14	(914,775)	(128,629)
Finance lease obligations		(165)	(346)
Taxation		(93,413)	(62,737)
		<u>(1,947,723)</u>	<u>(1,142,482)</u>
Net current assets		<u>897,674</u>	<u>1,857,760</u>
Total assets less current liabilities		<u>8,000,494</u>	<u>9,154,868</u>

Condensed Consolidated Statement of Financial Position (cont'd)

		As at 30 June 2015 (unaudited) <u>HK\$'000</u>	As at 31 December 2014 (audited) <u>HK\$'000</u>
	Notes		
Non-current liabilities			
Bank borrowings	14	(1,930,821)	(2,871,858)
Finance lease obligations		(1,032)	(847)
Other borrowings	15	(1,356,000)	(1,356,000)
Deferred taxation		(53,173)	(51,194)
		<u>(3,341,026)</u>	<u>(4,279,899)</u>
Total net assets		<u><u>4,659,468</u></u>	<u><u>4,874,969</u></u>
Capital and reserves			
Share capital	16	961,107	961,107
Share premium and reserves		<u>3,502,926</u>	<u>3,701,541</u>
Equity attributable to shareholders of the Company			
Non-controlling interests of subsidiaries		<u>4,464,033</u>	4,662,648
		<u>195,435</u>	<u>212,321</u>
Total equity		<u><u>4,659,468</u></u>	<u><u>4,874,969</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)		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
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
2015											
At 1 January 2015	961,107	3,926,489	59,414	34,379	(789,882)	-	(318,924)	790,065	4,662,648	212,321	4,874,969
Profit for the period	-	-	-	-	-	-	-	190,806	190,806	3,106	193,912
Exchange differences arising from translation	-	-	-	-	(295,129)	-	-	-	(295,129)	(14,738)	(309,867)
Gain on fair value changes of available-for-sale investments	-	-	15,966	-	-	-	-	-	15,966	-	15,966
Reclassification adjustment upon disposal of available-for-sale investments	-	-	(24,236)	-	-	-	-	-	(24,236)	-	(24,236)
Total comprehensive (expenses)/income for the period	-	-	(8,270)	-	(295,129)	-	-	190,806	(112,593)	(11,632)	(124,225)
Addition in interests in a subsidiary	-	-	-	-	-	-	(9,134)	-	(9,134)	4,059	(5,075)
Dividends paid to the shareholders of the Company – 2014 final dividend HK\$0.008 per share	-	(76,888)	-	-	-	-	-	-	(76,888)	-	(76,888)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	(9,313)	(9,313)
At 30 June 2015	961,107	3,849,601	51,144	34,379	(1,085,011)	-	(328,058)	980,871	4,464,033	195,435	4,659,468

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	79,061	140,933
Net cash outflow from investing activities	(88,304)	(300,938)
Net cash (outflow)/inflow from financing activities	(240,900)	23,229
Decrease in cash and cash equivalents	(250,143)	(136,776)
Cash and cash equivalents at beginning of the period	956,761	769,212
Effect of foreign exchange rate changes	(9,566)	12,657
Cash and cash equivalents at end of the period	<u>697,052</u>	<u>645,093</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and deposits	711,917	658,362
Bank overdrafts (included in bank borrowings)	(14,865)	(13,269)
	<u>697,052</u>	<u>645,093</u>

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 2014 (the “2014 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 2014 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	
	2015	2014
	HK\$'000	HK\$'000
Agriculture-related	1,067,187	1,092,449
Health	1,378,310	1,320,996
Investment	3,766	3,347
	<u>2,449,263</u>	<u>2,416,792</u>

B. Segment results

An analysis of the segment results is as follows:

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Segment results		
Agriculture-related	156,156	151,673
Health	208,504	192,916
Investment	59,477	16,804
	<u>424,137</u>	<u>361,393</u>
Research and development expenditure	(94,238)	(81,496)
Corporate expenses	(55,749)	(55,191)
Finance costs	(53,451)	(54,741)
	<u>220,699</u>	<u>169,965</u>
Profit before taxation	220,699	169,965
Taxation	(26,787)	(15,112)
	<u>193,912</u>	<u>154,853</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 2015 amounted to HK\$462.4 million (2014: HK\$444.4 million) of which HK\$218.2 million (2014: HK\$200.1 million) relating to direct labor costs was included in cost of sales.

5. Taxation

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current tax		
Hong Kong	-	-
Other jurisdictions	33,928	18,847
Deferred tax		
Other jurisdictions	(7,141)	(3,735)
	<u>26,787</u>	<u>15,112</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	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period has been arrived at after crediting:		
Included in turnover:		
Rental income from investment properties	78,667	76,982
Included in other income, gains and losses:		
Interest income from bank deposits	1,758	3,283
Gain on disposal of available-for-sale investments	43,305	-
Net gain on investments at fair value through profit or loss, and derivative financial instruments	<u>41,679</u>	<u>7,339</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	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	190,806	146,608
Number of shares		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	9,611,073,000	9,611,073,000

Diluted earnings per share for the period ended 30 June 2015 and 2014 is the same as the basic earnings per share as there were no dilutive ordinary shares outstanding.

8. Dividends

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2015 (2014: Nil).

9. Investment Properties and Vines

	Investment properties	Vines
	HK\$'000	HK\$'000
Valuation		
At 1 January 2015	1,141,481	549,113
Additions	65,399	15,046
Exchange differences	(97,359)	(45,460)
At 30 June 2015	1,109,521	518,699

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 2015	381,053	270,368	67,808	648,208	154,282	146,746	1,668,465
Additions	25,579	-	75,474	12,649	5,259	480	119,441
Reclassification	59,950	1,166	(96,532)	29,697	852	4,867	-
Disposals/write-off	(38)	-	-	(7,198)	(2,229)	-	(9,465)
Exchange differences	(16,220)	(16,421)	(2,903)	(17,861)	(3,928)	(3,853)	(61,186)
At 30 June 2015	450,324	255,113	43,847	665,495	154,236	148,240	1,717,255
Depreciation and impairment							
At 1 January 2015	17,543	-	-	330,800	124,535	59,374	532,252
Provided for the period	5,271	-	-	29,169	5,330	3,575	43,345
Elimination upon disposals/write-off	(38)	-	-	(6,913)	(1,960)	-	(8,911)
Exchange differences	(407)	-	-	(4,649)	(2,610)	(221)	(7,887)
At 30 June 2015	22,369	-	-	348,407	125,295	62,728	558,799
Carrying Values							
At 30 June 2015	427,955	255,113	43,847	317,088	28,941	85,512	1,158,456
At 31 December 2014	363,510	270,368	67,808	317,408	29,747	87,372	1,136,213

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 2015	443,587	159	2,951,897	115,438	399,029	176,051	8,445	4,094,606
Additions	-	-	-	-	-	39,000	1,161	40,161
Disposals/write-off	-	-	-	-	-	(9,724)	-	(9,724)
Exchange differences	(14,345)	(9)	(81,644)	(6,907)	(11,779)	(10,105)	(501)	(125,290)
At 30 June 2015	429,242	150	2,870,253	108,531	387,250	195,222	9,105	3,999,753
Amortisation and impairment								
At 1 January 2015	523	130	-	-	302,016	-	6,377	309,046
Provided for the period	-	-	-	-	19,451	-	798	20,249
Exchange differences	(33)	(7)	-	-	(7,695)	-	(395)	(8,130)
At 30 June 2015	490	123	-	-	313,772	-	6,780	321,165
Carrying values								
At 30 June 2015	428,752	27	2,870,253	108,531	73,478	195,222	2,325	3,678,588
At 31 December 2014	443,064	29	2,951,897	115,438	97,013	176,051	2,068	3,785,560

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 2015	As at 31 December 2014
	HK\$'000	HK\$'000
Trade receivables		
0 - 90 days	830,281	761,876
Over 90 days	71,274	79,064
	901,555	840,940
Trade payables		
0 - 90 days	324,726	328,548
Over 90 days	5,222	12,997
	329,948	341,545

13. Cash and Cash Equivalents

	As at 30 June 2015	As at 31 December 2014
	HK\$'000	HK\$'000
Bank balances and deposits	711,917	979,200
Bank overdrafts included in bank borrowings	(14,865)	(22,439)
	697,052	956,761

14. Bank Borrowings

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

15. Other Borrowings

These represent 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\$13.7 million (2014: HK\$13.4 million) were incurred for these shareholder loans.

16. Share Capital

	<u>Number of share of HK\$0.1 each '000</u>	<u>Nominal value HK\$'000</u>
Authorised		
At 31 December 2014 and 30 June 2015	<u>15,000,000</u>	<u>1,500,000</u>
Issued and fully paid		
At 31 December 2014 and 30 June 2015	<u>9,611,073</u>	<u>961,107</u>

17. 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 2015				
Available-for-sale investments				
Equity securities – listed in Hong Kong	123,475	-	-	123,475
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	36,196	-	-	36,196
Derivative financial assets	-	4,097	-	4,097
Total	36,196	4,097	-	40,293
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	3,647	-	3,647
As at 31 December 2014				
Available-for-sale investments				
Equity securities – listed in Hong Kong	156,815	-	-	156,815
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	54,540	-	-	54,540
Derivative financial assets	-	5,207	-	5,207
Total	54,540	5,207	-	59,747
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	4,479	-	4,479

There were no transfers between Levels 1 and 2 during the six months ended 30 June 2015 and 2014.

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.

18. 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 2015:

- (i) The Group made sales of HK\$13.3 million (2014: HK\$10.5 million) to Hutchison International Limited (“HIL”) group. HIL is an indirect wholly-owned subsidiary of a substantial shareholder of the Company, CK Hutchison Holdings Limited.
- (ii) The Group leased certain properties from Leknarf Associates LLC (“Leknarf”) which is 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\$9.4 million (2014: HK\$8.8 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\$5.9 million (2014: HK\$6.1 million) were incurred.
- (iv) The Group made sales of HK\$46.5 million (2014: HK\$54.7 million) to and purchase of HK\$12.7 million (2014: HK\$8.8 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 2015, 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 2015. 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, a Non-executive Director did not attend the annual general meeting of the Company held on 15 May 2015 due to a sudden indisposition.

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, Mr. Kwan Kai Cheong (Chairman of the Audit Committee), Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system 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 2015 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, Mrs. Kwok Eva Lee (Independent Non-executive Director), Mr. Colin Stevens Russel (Independent Non-executive Director) and Mr. Kwan Kai Cheong (Independent Non-executive Director).