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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 2017**

### **2017 FIRST HALF RESULTS**

For the six months ended 30 June 2017, CK Life Sciences Int'l. (Holdings) Inc. (“CK Life Sciences” or the “Company”) recorded unaudited profit attributable to shareholders of HK\$170 million, a decrease of 9% over the corresponding period last year.

The gap between the two interim periods exemplifies the exceptionally good results attained in the interim period last year, which was characterised by the surge in demand of products manufactured by Lipa Pharmaceuticals Limited (“Lipa”) in the Mainland China market and also the very favourable weather conditions in Australia which led to a record high profit for the Group’s Australian Agribusiness. The two phenomena, however, did not persist in the first half of 2017.

The Board of Directors has not declared any interim dividend for the period under review (2016: Nil).

### **NUTRACEUTICAL BUSINESS**

The company’s nutraceutical business is made up of Lipa in Australia, Vitaquest International Holdings LLC (“Vitaquest”) in the United States and Santé Naturelle A.G. Ltée (“Santé Naturelle”) in Canada.

Lipa grew rapidly in the last few years on the back of a surge in demand in Mainland China for products it manufactured for a number of key Australian customers, who began to build up significant inventory in anticipation of further ongoing growth in demand. When China announced a change of regulations governing the import of health supplements, customers drastically started reducing orders in the second half of 2016 to deplete accumulated inventory. This condition continued in 2017 and is expected to stabilise in second half of the year. Nonetheless, Lipa remains a profitable business with a strong reputation in quality and service. It continues to be a significant contributor to the Company’s profit.

Over in Vitaquest, with the help of automated and upgraded production capacity, powder products continued its growth momentum and top customers recorded decent volume increase. Meanwhile, growth of Santé Naturelle products at point of sale continued apace above the market average.

## **AGRICULTURE-RELATED BUSINESS**

CK Life Sciences' agriculture-related business consists of three main streams - Australian Agribusiness, vineyards and Cheetham Salt Limited ("Cheetham Salt"). In the first half of 2017, this business segment reported mixed results.

In the first half of 2017, Western and Southern Australia experienced dry conditions, delaying and in some cases reducing the application of plant protection products manufactured by Australian Agribusiness. Though there has been a slowdown of orders placed, Australian Agribusiness remains the only toll manufacturer of such products comprehensively covering the largest growing regions nationwide and is best placed to benefit when weather conditions improve.

With a span of approximately 6,500 hectares in Australasia, the Company's vineyard portfolio is among the three largest in Australasia and top ten in the world. Profit generated from this segment in the first half of 2017 was in line with expectations. Over 95% of the vineyard portfolio is currently under long-term tenancy agreements, generating stable and recurring revenues.

Cheetham Salt, Australasia's leading supplier of domestic salt, performed in line with target. In May 2017, CK Life Sciences entered into an agreement with its business partner to acquire the remaining 50% share of the salt field operations in New Zealand, and to dispose of its shares in a 50/50 joint venture engaged in retail and distribution in Australia and New Zealand. This asset swap achieves twin goals in that it will allow the Company to strategically focus on the stable, cash-generative salt production and refinery business, while at the same time exiting the cyclical distribution businesses. This exercise is subject to the approval of the Overseas Investment Office in New Zealand. Completion of the transaction is expected to take place in October 2017.

## **PHARMACEUTICAL RESEARCH AND DEVELOPMENT**

CK Life Sciences' pharmaceutical R&D is focused primarily on oncology and pain management.

The Phase III clinical trial of Polynoma LLC's therapeutic cancer vaccine for the treatment of melanoma is progressing according to schedule. The second part of the multi-part clinical trial approved by the US FDA (Food and Drug Administration) is ongoing, with approximately 350 patients enrolled. These patients are being dosed with the vaccine or a placebo for a period of two years and monitored for recurrence of melanoma.

Following promising results seen in a Phase II clinical trial of its tetrodotoxin (“TTX”)-based cancer pain management product for chemotherapy-induced neuropathic pain (“CINP”), WEX Pharmaceuticals Inc. (“WEX Pharma”) is in advanced stages of discussion with the US FDA to approve a Phase III clinical trial in this indication. As there is currently no specific FDA-approved treatment for CINP, doctors often prescribe analgesics, including opioids, which have significant side effects and may not be very effective for CINP. WEX Pharma’s product could be a breakthrough alternative when demonstrated to be effective. WEX Pharma is hopeful of starting this clinical trial in the near future and will also submit the clinical trial protocol to Health Canada for review, enabling the trial to be conducted simultaneously in both countries.

## **PROSPECTS**

Irrespective of short-term challenges from market conditions in some segments in the first half of the year, we remain positive about future prospects.

While we will continue to strengthen our performance through organic growth, the Company will keep pursuing suitable acquisitions in vineyards and other prospective investments that present stable incomes with recurring cash flow. Capitalising on the uniqueness as a member of the CK Group, we will also tap into the rich capital resources and vast working experience of other members of the Group and work with them to explore synergistic opportunities.

On the R&D front, we will continue to deploy the necessary funding to support projects that will both create and launch ground-breaking products which serve unmet market demand.

Finally, I wish to thank our shareholders, Board of Directors and staff for their continued support.

**Li Tzar Kuoi, Victor**  
Chairman

Hong Kong, 17 July 2017

## **FINANCIAL REVIEW**

### **Financial Resources and Liquidity**

As at 30 June 2017, the total assets of the Group were about HK\$9,785.1 million, of which bank balances and time deposits were about HK\$816.8 million and treasury investments were about HK\$186.3 million. The bank interest generated for the first six months of 2017 was HK\$2.9 million. The net loss arising from the Group's investment segment for the period ended 30 June 2017 was HK\$1.2 million.

At the end of the period under review, the total liabilities of the Group were HK\$5,167.7 million, comprising bank and other borrowings amounted to HK\$4,255.0 million. These borrowings were mainly used for financing the acquisition of overseas businesses as well as providing general working capital for some of the overseas businesses. Total finance cost incurred by the Group for the six months ended 30 June 2017 was HK\$46.2 million.

As at 30 June 2017, the net debt to net total capital ratio of the Group was approximately 42.69%, 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 2017, certain assets of the Group's subsidiary companies with carrying value of HK\$808.1 million were pledged as part of the security for bank borrowings totalling HK\$360.0 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\$53.4 million for the period ended 30 June 2017.

## **Capital Commitments and Future Plans for Material Investments or Capital Assets**

As of 30 June 2017, the total capital commitments by the Group amounted to HK\$52.6 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and equipment, and maintenance of vineyards.

## **Information on Employees**

The total number of full-time employees of the Group was 1,741 as at 30 June 2017, and is 43 less than the total headcount of 1,784 as at 30 June 2016. The total staff costs, including director's emoluments, amounted to approximately HK\$490.7 million for the six months ended 30 June 2017, which represents a decrease of 3% as compared to the same period of 2016. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2016.

## **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2017.

## Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2017	2016
		(unaudited) HK\$'000	(unaudited) HK\$'000
Revenue	3	<b>2,313,957</b>	2,527,667
Cost of sales		<b>(1,524,817)</b>	(1,634,085)
		<b>789,140</b>	893,582
Other income, gains and losses		<b>9,400</b>	12,628
Staff costs	4	<b>(259,466)</b>	(262,903)
Depreciation		<b>(29,622)</b>	(23,623)
Amortisation of intangible assets		<b>(9,346)</b>	(10,276)
Other expenses		<b>(276,386)</b>	(345,825)
Finance costs		<b>(46,246)</b>	(50,429)
Share of the results of joint ventures		<b>23,993</b>	18,298
Profit before taxation		<b>201,467</b>	231,452
Taxation	5	<b>(28,917)</b>	(39,976)
Profit for the period	6	<b>172,550</b>	191,476
Attributable to:			
Shareholders of the Company		<b>169,773</b>	187,419
Non-controlling interests of subsidiaries		<b>2,777</b>	4,057
		<b>172,550</b>	191,476
Earnings per share	7		
- Basic		<b>1.77 cents</b>	1.95 cents
- Diluted		<b>1.77 cents</b>	1.95 cents

## Condensed Consolidated Statement of Comprehensive Income

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period	<u><b>172,550</b></u>	<u>191,476</u>
Other comprehensive income/(expenses)		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising from translation of foreign operations	<b>206,782</b>	121,469
Loss on fair value changes of available-for-sale investments	<u><b>(9,314)</b></u>	<u>(7,451)</u>
Other comprehensive income for the period	<u><b>197,468</b></u>	<u>114,018</u>
Total comprehensive income for the period	<u><b>370,018</b></u>	<u>305,494</u>
Total comprehensive income attributable to:		
Shareholders of the Company	<b>360,788</b>	298,064
Non-controlling interests of subsidiaries	<u><b>9,230</b></u>	<u>7,430</u>
	<u><b>370,018</b></u>	<u>305,494</u>

## Condensed Consolidated Statement of Financial Position

		As at 30 June 2017 (unaudited) HK\$'000	As at 31 December 2016 (audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Investment properties	9	1,126,722	1,057,678
Property, plant and equipment	10	1,590,935	1,551,258
Intangible assets	11	3,532,169	3,497,918
Interests in joint ventures		321,384	310,922
Available-for-sale investments		170,507	179,821
Deferred taxation		75,420	57,157
		<u>6,817,137</u>	<u>6,654,754</u>
<b>Current assets</b>			
Investments at fair value through profit or loss		15,287	18,087
Derivative financial instruments		492	1,470
Tax recoverable		9,766	7,048
Inventories		981,346	937,503
Receivables and prepayments	12	1,144,226	1,057,411
Bank balances and deposits		816,833	859,432
		<u>2,967,950</u>	<u>2,880,951</u>
<b>Current liabilities</b>			
Payables and accruals	12	(752,813)	(887,355)
Derivative financial instruments		(372)	(1,198)
Bank borrowings	13	(1,762,980)	(1,746,055)
Finance lease obligations		(341)	(270)
Other borrowings	14	(1,100,000)	(1,356,000)
Taxation		(90,876)	(106,134)
		<u>(3,707,382)</u>	<u>(4,097,012)</u>
<b>Net current liabilities</b>		<u>(739,432)</u>	<u>(1,216,061)</u>
<b>Total assets less current liabilities</b>		<u>6,077,705</u>	<u>5,438,693</u>

## Condensed Consolidated Statement of Financial Position (cont'd)

		As at <b>30 June 2017</b> <b>(unaudited)</b>	As at 31 December 2016 <b>(audited)</b>
	Notes	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Bank borrowings	13	<b>(1,392,000)</b>	(924,000)
Finance lease obligations		<b>(762)</b>	(876)
Deferred taxation		<b>(67,584)</b>	(61,442)
		<b><u>(1,460,346)</u></b>	<u>(986,318)</u>
<b>Total net assets</b>		<b><u><u>4,617,359</u></u></b>	<u><u>4,452,375</u></u>
<b>Capital and reserves</b>			
Share capital	15	<b>961,107</b>	961,107
Share premium and reserves		<b><u>3,510,172</u></b>	<u>3,349,478</u>
<b>Equity attributable to shareholders of the Company</b>			
		<b>4,471,279</b>	4,310,585
Non-controlling interests of subsidiaries		<b><u>146,080</u></b>	<u>141,790</u>
<b>Total equity</b>		<b><u><u>4,617,359</u></u></b>	<u><u>4,452,375</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)	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		
At 1 January 2016	<b>961,107</b>	<b>3,849,601</b>	<b>(27,624)</b>	<b>34,379</b>	<b>(1,379,444)</b>	<b>(331,865)</b>	<b>1,008,922</b>	<b>4,115,076</b>	<b>144,186</b>	<b>4,259,262</b>
Profit for the period	-	-	-	-	-	-	187,419	187,419	4,057	191,476
Exchange differences arising from translation	-	-	-	-	118,096	-	-	118,096	3,373	121,469
Loss on fair value changes of available-for-sale investments	-	-	(7,451)	-	-	-	-	(7,451)	-	(7,451)
Total comprehensive (expenses)/income for the period	-	-	(7,451)	-	118,096	-	187,419	298,064	7,430	305,494
Addition in interests in a subsidiary	-	-	-	-	-	(3,770)	-	(3,770)	3,770	-
Dividends paid to the shareholders of the Company – 2015 final dividend HK\$0.009 per share	-	(86,500)	-	-	-	-	-	(86,500)	-	(86,500)
<b>At 30 June 2016</b>	<b>961,107</b>	<b>3,763,101</b>	<b>(35,075)</b>	<b>34,379</b>	<b>(1,261,348)</b>	<b>(335,635)</b>	<b>1,196,341</b>	<b>4,322,870</b>	<b>155,386</b>	<b>4,478,256</b>
At 1 January 2017	<b>961,107</b>	<b>3,763,101</b>	<b>(32,526)</b>	<b>34,379</b>	<b>(1,337,741)</b>	<b>(338,628)</b>	<b>1,260,893</b>	<b>4,310,585</b>	<b>141,790</b>	<b>4,452,375</b>
Profit for the period	-	-	-	-	-	-	169,773	169,773	2,777	172,550
Exchange differences arising from translation	-	-	-	-	200,329	-	-	200,329	6,453	206,782
Loss on fair value changes of available-for-sale investments	-	-	(9,314)	-	-	-	-	(9,314)	-	(9,314)
Total comprehensive (expenses)/income for the period	-	-	(9,314)	-	200,329	-	169,773	360,788	9,230	370,018
Addition in interests in subsidiaries	-	-	-	-	-	(103,983)	-	(103,983)	1,053	(102,930)
Dividends paid to the shareholders of the Company – 2016 final dividend HK\$0.01 per share	-	(96,111)	-	-	-	-	-	(96,111)	-	(96,111)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(5,993)	(5,993)
<b>At 30 June 2017</b>	<b>961,107</b>	<b>3,666,990</b>	<b>(41,840)</b>	<b>34,379</b>	<b>(1,137,412)</b>	<b>(442,611)</b>	<b>1,430,666</b>	<b>4,471,279</b>	<b>146,080</b>	<b>4,617,359</b>

## Condensed Consolidated Statement of Cash Flows

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash from operating activities	<b>2,856</b>	89,484
Net cash outflow from investing activities	<b>(23,692)</b>	(24,509)
Net cash outflow from financing activities	<b>(36,144)</b>	(140,516)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	<b>(56,980)</b>	(75,541)
Cash and cash equivalents at beginning of the period	<b>859,432</b>	820,402
Effect of foreign exchange rate changes	<b>14,381</b>	1,383
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>816,833</b>	746,244
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
Bank balances and deposits	<b>816,833</b>	768,768
Bank overdrafts (included in bank borrowings)	<b>-</b>	(22,524)
	<hr/>	<hr/>
	<b>816,833</b>	746,244
	<hr/> <hr/>	<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 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 2016 (the “2016 Financial Statements”), except for the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations (collectively “new and revised HKFRSs”) issued by HKICPA which have become effective in this period as detailed in note 2 of the 2016 Financial Statements. The adoption of such new and revised HKFRSs has no material impact on the accounting policies in the Group’s interim financial statements for the period.

### 3. Revenue and Segment Information

Revenue 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 revenue

An analysis of the segment revenue is as follows:

	For the six months ended 30 June	
	2017	2016
	HK\$’000	HK\$’000
Agriculture-related	971,594	1,019,989
Health	1,341,011	1,503,910
Investment	1,352	3,768
	<u>2,313,957</u>	<u>2,527,667</u>

## B. Segment results

An analysis of the segment results is as follows:

	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Segment results		
Agriculture-related	117,951	143,694
Health	224,788	268,127
Investment	(1,180)	(2,867)
	<u>341,559</u>	<u>408,954</u>
Research and development expenditure	(53,368)	(82,903)
Corporate expenses	(40,478)	(44,170)
Finance costs	(46,246)	(50,429)
	<u>201,467</u>	<u>231,452</u>
Profit before taxation	201,467	231,452
Taxation	(28,917)	(39,976)
Profit for the period	<u>172,550</u>	<u>191,476</u>

## 4. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the six months ended 30 June 2017 amounted to HK\$490.7 million (2016: HK\$503.8 million) of which HK\$231.3 million (2016: HK\$240.9 million) relating to direct labor costs was included in cost of sales.

## 5. Taxation

	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current tax		
Hong Kong	-	-
Other jurisdictions	32,085	53,027
Deferred tax		
Other jurisdictions	(3,168)	(13,051)
	<u>28,917</u>	<u>39,976</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

	<b>For the six months ended 30 June</b>	
	<u>2017</u>	<u>2016</u>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period has been arrived at after crediting:		
Included in revenue:		
Rental income from investment properties	<b>68,475</b>	56,389
Included in other income, gains and losses:		
Interest income from bank deposits	<b>2,862</b>	1,682
Net loss on investments at fair value through profit or loss, and derivative financial instruments	<b><u>(3,778)</u></b>	<b><u>(3,500)</u></b>

## 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:

	<b>For the six months ended 30 June</b>	
	<u>2017</u>	<u>2016</u>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period attributable to shareholders of the Company</b>		
Profit for calculating basic and diluted earnings per share	<b><u>169,773</u></b>	<b><u>187,419</u></b>
<b>Number of shares</b>		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	<b><u>9,611,073,000</u></b>	<b><u>9,611,073,000</u></b>

Diluted earnings per share for the period ended 30 June 2017 and 2016 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 2017 (2016: Nil).

## 9. Investment Properties

	<b>HK\$'000</b>
<b>Valuation</b>	
At 1 January 2017	<b>1,057,678</b>
Additions	<b>15,806</b>
Exchange differences	<b>53,238</b>
At 30 June 2017	<b><u>1,126,722</u></b>

## 10. Property, Plant and Equipment

	<b>Land and building</b>	<b>Vines</b>	<b>Salt fields</b>	<b>Construction in progress</b>	<b>Laboratory instruments, plant and equipment</b>	<b>Furniture, fixtures and other assets</b>	<b>Leasehold improvement</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>								
At 1 January 2017	444,437	510,926	242,345	59,977	680,367	145,967	158,081	2,242,100
Additions	-	1,957	-	31,393	5,310	3,018	-	41,678
Reclassification	1,061	-	-	(28,304)	22,587	2,616	2,040	-
Disposals/write-off	(2,091)	-	-	-	-	(1,152)	-	(3,243)
Exchange differences	14,959	25,322	11,129	1,467	20,548	2,580	2,615	78,620
<b>At 30 June 2017</b>	<b><u>458,366</u></b>	<b><u>538,205</u></b>	<b><u>253,474</u></b>	<b><u>64,533</u></b>	<b><u>728,812</u></b>	<b><u>153,029</u></b>	<b><u>162,736</u></b>	<b><u>2,359,155</u></b>
<b>Depreciation and impairment</b>								
At 1 January 2017	38,909	90,019	-	-	389,727	109,742	62,445	690,842
Provided for the period	5,818	14,032	-	-	29,400	6,591	5,986	61,827
Elimination upon disposals/write-off	(1,834)	-	-	-	-	(766)	-	(2,600)
Exchange differences	1,137	4,435	-	-	9,954	1,985	640	18,151
<b>At 30 June 2017</b>	<b><u>44,030</u></b>	<b><u>108,486</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>429,081</u></b>	<b><u>117,552</u></b>	<b><u>69,071</u></b>	<b><u>768,220</u></b>
<b>Carrying Values</b>								
<b>At 30 June 2017</b>	<b><u>414,336</u></b>	<b><u>429,719</u></b>	<b><u>253,474</u></b>	<b><u>64,533</u></b>	<b><u>299,731</u></b>	<b><u>35,477</u></b>	<b><u>93,665</u></b>	<b><u>1,590,935</u></b>
At 31 December 2016	405,528	420,907	242,345	59,977	290,640	36,225	95,636	1,551,258

## 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
<b>Cost</b>								
At 1 January 2017	413,530	141	2,806,254	101,139	375,047	159,859	10,346	3,866,316
Additions	-	-	-	-	-	377	-	377
Exchange differences	2,049	7	30,452	2,533	7,961	7,382	111	50,495
<b>At 30 June 2017</b>	<b>415,579</b>	<b>148</b>	<b>2,836,706</b>	<b>103,672</b>	<b>383,008</b>	<b>167,618</b>	<b>10,457</b>	<b>3,917,188</b>
<b>Amortisation and impairment</b>								
At 1 January 2017	454	116	-	-	341,810	18,895	7,123	368,398
Provided for the period	-	-	-	-	8,815	-	531	9,346
Exchange differences	5	5	-	-	6,417	873	(25)	7,275
<b>At 30 June 2017</b>	<b>459</b>	<b>121</b>	<b>-</b>	<b>-</b>	<b>357,042</b>	<b>19,768</b>	<b>7,629</b>	<b>385,019</b>
<b>Carrying values</b>								
<b>At 30 June 2017</b>	<b>415,120</b>	<b>27</b>	<b>2,836,706</b>	<b>103,672</b>	<b>25,966</b>	<b>147,850</b>	<b>2,828</b>	<b>3,532,169</b>
At 31 December 2016	413,076	25	2,806,254	101,139	33,237	140,964	3,223	3,497,918

## 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:

	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Trade receivables</b>		
0 - 90 days	<b>930,721</b>	841,299
Over 90 days	<b>60,122</b>	73,238
	<b>990,843</b>	914,537
<b>Trade payables</b>		
0 - 90 days	<b>303,454</b>	329,009
Over 90 days	<b>12,565</b>	7,565
	<b>316,019</b>	336,574

## 13. Bank Borrowings

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

#### 14. Other Borrowings

Included in other borrowings are loans of HK\$498.4 million (2016: HK\$1,356.0 million) from certain substantial shareholders of the Company and their subsidiaries, which are unsecured, bearing interest with reference to Hong Kong Interbank Offered Rate (the “HIBOR”) plus margin of 1.08% (2016: margins ranging from 1.75% to 2.00%) per annum, and with due date in February 2018. During the period, total interest expenses of HK\$7.0 million (2016: HK\$14.0 million) were incurred for these shareholder loans.

The remaining borrowing of HK\$601.6 million (2016: Nil) is unsecured, bearing interest with reference to HIBOR plus margin of 1.08% per annum, and with due date in February 2018.

#### 15. Share Capital

	<b>Number of share of HK\$0.1 each '000</b>	<b>Nominal value HK\$'000</b>
<b>Authorised</b>		
At 31 December 2016 and 30 June 2017	<u>15,000,000</u>	<u>1,500,000</u>
<b>Issued and fully paid</b>		
At 31 December 2016 and 30 June 2017	<u>9,611,073</u>	<u>961,107</u>

## 16. 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
<b><u>As at 30 June 2017</u></b>				
<b>Available-for-sale investments</b>				
Equity securities – listed in Hong Kong	<b>20,491</b>	-	-	<b>20,491</b>
<b>Financial assets at fair value through profit or loss</b>				
Non-derivative financial assets held for trading	15,287	-	-	15,287
Derivative financial assets	-	492	-	492
Total	<b>15,287</b>	<b>492</b>	-	<b>15,779</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial liabilities	-	372	-	372
<b><u>As at 31 December 2016</u></b>				
<b>Available-for-sale investments</b>				
Equity securities – listed in Hong Kong	29,805	-	-	29,805
<b>Financial assets at fair value through profit or loss</b>				
Non-derivative financial assets held for trading	18,087	-	-	18,087
Derivative financial assets	-	1,470	-	1,470
Total	18,087	1,470	-	19,557
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial liabilities	-	1,198	-	1,198

There were no transfers between Levels 1 and 2 during the six months ended 30 June 2017 and 2016.

### 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.

## 17. 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 2017:

- (i) The Group made sales of HK\$7.5 million (2016: HK\$14.5 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\$11.8 million (2016: HK\$11.6 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\$3.1 million (2016: HK\$3.9 million) were incurred.
- (iv) The Group made sales of HK\$48.8 million (2016: HK\$38.7 million) to and purchase of HK\$6.9 million (2016: HK\$5.1 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 2017, 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 emphasise 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 2017. 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 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 ("Audit Committee") has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters. In addition, the Company has established the Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing for compliance by the Company's employees.

## **AUDIT COMMITTEE**

The Company established an 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, risk management and internal control systems, review of the Group's financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group's interim results for the six months ended 30 June 2017 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).*