



**CK Life Sciences Int'l. (Holdings) Inc.**  
長江生命科技集團有限公司

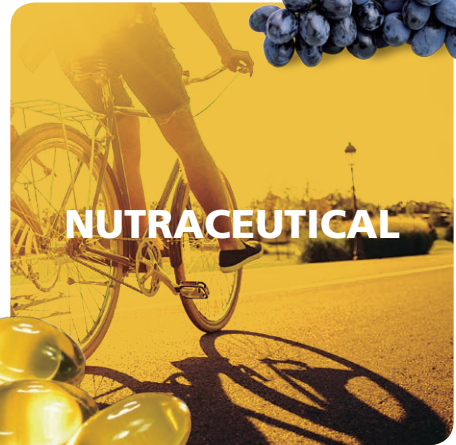
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 0775)

# Enhancing Everyday Living

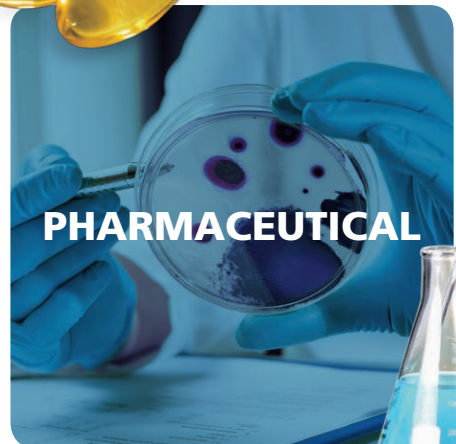
Interim Report 2017



**AGRICULTURE-  
RELATED**



**NUTRACEUTICAL**



**PHARMACEUTICAL**

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# Corporate Information and Key Date

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## COMPANY SECRETARY

Eirene YEUNG

## AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond  
Eirene YEUNG

## COMPLIANCE OFFICER

YU Ying Choi, Alan Abel

## VICE PRESIDENT, FINANCE

MO Yiu Leung, Jerry

## Corporate Information and Key Date (Cont'd)

### PRINCIPAL BANKERS

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

### AUDITOR

Deloitte Touche Tohmatsu

### LEGAL ADVISERS

Woo, Kwan, Lee & Lo

### REGISTERED OFFICE

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

### HEAD OFFICE

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

### PRINCIPAL PLACE OF BUSINESS

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### STOCK CODES

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

### WEBSITE

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

### KEY DATE

Interim Results Announcement 17 July 2017

# Chairman's Statement

## 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.

## Chairman's Statement (Cont'd)

### 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.

## Chairman's Statement (Cont'd)

### 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



# Directors' Biographical Information

## **LI Tzar Kuoi, Victor**

aged 52, has been the Chairman of the Company since 2002. He has been a member of the Remuneration Committee of the Company since March 2005. Mr. Victor Li is the Group Co-Managing Director and Deputy Chairman of CK Hutchison Holdings Limited, and the Managing Director and Deputy Chairman and the Chairman of Executive Committee of Cheung Kong Property Holdings Limited. He is also the Chairman of CK Infrastructure Holdings Limited (formerly known as Cheung Kong Infrastructure Holdings Limited), a Non-executive Director of Power Assets Holdings Limited and HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited and Co-Chairman of Husky Energy Inc. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Victor Li is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also Vice Chairman of the Hong Kong General Chamber of Commerce, and was previously a member of the Commission on Strategic Development of the Hong Kong Special Administrative Region. Mr. Victor Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and an honorary degree, Doctor of Laws, *honoris causa* (LL.D.). Mr. Victor Li is a son of Mr. Li Ka-shing, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a nephew of Mr. Kam Hing Lam, the President and Chief Executive Officer of the Company. Mr. Victor Li is also a director of certain companies which have interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

## Directors' Biographical Information (Cont'd)

### **KAM Hing Lam**

aged 70, is the President and Chief Executive Officer of the Company responsible for overall strategic direction and key operating decisions. He has been instrumental in the formation of the Group. He has been with the Group since its establishment in December 1999 and has played a leading role in developing the Group's corporate direction and strategic vision, and in guiding the Group in pursuit of its corporate business and operational objectives. Mr. Kam is Deputy Managing Director of CK Hutchison Holdings Limited, and Deputy Managing Director and Member of Executive Committee of Cheung Kong Property Holdings Limited. He is also the Group Managing Director of CK Infrastructure Holdings Limited (formerly known as Cheung Kong Infrastructure Holdings Limited). All the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust which is listed in Hong Kong. He is an Advisor of the 12th Beijing Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company. Mr. Kam is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

## Directors' Biographical Information (Cont'd)

### **IP Tak Chuen, Edmond**

aged 65, is the Senior Vice President and Chief Investment Officer of the Company responsible for the investment activities of the Group. He joined the Cheung Kong Group in 1993 and the Group in December 1999. He is Deputy Managing Director of CK Hutchison Holdings Limited, and Deputy Managing Director and Member of Executive Committee of Cheung Kong Property Holdings Limited. He is also an Executive Director and Deputy Chairman of CK Infrastructure Holdings Limited (formerly known as Cheung Kong Infrastructure Holdings Limited). All the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust which is listed in Hong Kong. Mr. Ip was previously a Non-executive Director of ARA Asset Management Limited (whose shares were withdrawn from listing on 19 April 2017). He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration. Mr. Ip is also a director of certain companies which have interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

## Directors' Biographical Information (Cont'd)

### **YU Ying Choi, Alan Abel**

aged 62, is the Vice President and Chief Operating Officer of the Company responsible for the commercial activities of the Group, including manufacturing and marketing of all product applications. He holds a Bachelor of Arts degree and a Master's degree in Business Administration. Mr. Yu has held a number of positions in multinational corporations, including Standard Chartered Bank, Dairy Farm and American Express, in Hong Kong and overseas. Prior to joining the Group in January 2000, he was a Worldwide Vice President with Johnson & Johnson.

### **CHU Kee Hung**

aged 72, is the Vice President and Chief Scientific Officer of the Company responsible for the technology and product development activities of the Group. He holds a Bachelor of Science from The Chinese University of Hong Kong, a Master of Science degree and a Doctor of Philosophy degree both from The University of California at Berkeley. He began working for the Group in January 2001. Prior to joining the Group, he has held a variety of senior positions in major corporations such as General Electric and the Cheung Kong Group, and has over 23 years' experience in technology project management in the United States, Mainland China and Hong Kong.

### **TULLOCH, Peter Peace**

aged 73, serves as the Chairman and Non-executive Director of each of Victoria Power Networks Pty Ltd, SA Power Networks and Australian Gas Networks Limited. He is also Chairman and a Non-executive Director of both Powercor Australia Limited and CitiPower Pty Ltd. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Tulloch is a Fellow of the Institute of Canadian Bankers and has spent more than 30 years in Asia. He was appointed a Non-executive Director of the Company in April 2002.

## Directors' Biographical Information (Cont'd)

### **KWOK Eva Lee**

aged 75, currently serves as the Chair and Chief Executive Officer of Amara Holdings Inc. ("Amara"). Mrs. Kwok also acts as an Independent Director for Husky Energy Inc., an Independent Non-executive Director of CK Infrastructure Holdings Limited (formerly known as Cheung Kong Infrastructure Holdings Limited) and a Director of Li Ka Shing (Canada) Foundation ("LKS Canada Foundation"). Mrs. Kwok also sits on the Compensation Committee and Corporate Governance Committee of Husky Energy Inc. and the Audit Committee of CK Infrastructure Holdings Limited. Except for Amara and LKS Canada Foundation, all the companies mentioned above are listed companies. She also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. In addition, she was an Independent Director of Bank of Montreal, a listed company, and previously sat on the Audit Committee and Pension Fund Society of the Bank of Montreal, the Nominating and Governance Committee of Shoppers Drug Mart Corporation, the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company, the Corporate Governance Committee of Air Canada, the Innovation Saskatchewan (IS) Board of Directors and the Saskatchewan-Asia Advisory Council of Saskatchewan. Mrs. Kwok was appointed an Independent Non-executive Director of the Company in June 2002. She is a member of the Audit Committee and the Remuneration Committee of the Company, and has been appointed as the Chairman of the Remuneration Committee of the Company on 1 January 2012.

## Directors' Biographical Information (Cont'd)

### **RUSSEL, Colin Stevens**

aged 76, is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. Mr. Russel is also Managing Director of EMAS (HK) Limited. He is also an Independent Non-executive Director of Cheung Kong Property Holdings Limited, CK Infrastructure Holdings Limited (formerly known as Cheung Kong Infrastructure Holdings Limited) and Husky Energy Inc., all being listed companies. Mr. Russel was previously an Independent Non-executive Director of ARA Asset Management Limited (whose shares were withdrawn from listing on 19 April 2017). He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel received his Bachelor's degree in Electronics Engineering and his Master's degree in Business Administration from McGill University, Canada. He is a Qualified Commercial Mediator. Mr. Russel was appointed an Independent Non-executive Director of the Company in January 2005 and is a member of the Audit Committee and the Remuneration Committee of the Company.

### **KWAN Kai Cheong**

aged 67, is President of Morrison & Company Limited, a business consultancy firm. Since 1 February 2016, Mr. Kwan has been appointed Chairman of the Board of Utopa Limited, a commercial property operating company in China. He worked for Merrill Lynch & Co., Inc. for over 10 years during the period from 1982 to 1993, with his last position as President for its Asia Pacific region. He was formerly Joint Managing Director of Pacific Concord Holding Limited. Mr. Kwan is also an Independent Non-executive Director of HK Electric Investments Limited, HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, Greenland Hong Kong Holdings Limited, Henderson Sunlight Asset Management Limited ("HSAM") as the manager of Sunlight Real Estate Investment Trust, Panda Green Energy Group Limited (formerly known as United Photovoltaics Group Limited), Win Hanverky Holdings Limited and Dynagreen Environmental Protection Group Co., Ltd. and a Non-executive Director of China Properties Group Limited. Mr. Kwan is also a Director of The Hongkong Electric Company, Limited ("HK Electric"). Except for HKEIM, HSAM and HK Electric, all the companies/investment trust mentioned above are listed in Hong Kong. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Kwan holds a Bachelor of Accountancy (Honours) degree and is a Fellow of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in Australia and The Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992. Mr. Kwan was appointed an Independent Non-executive Director of the Company in March 2015. He was appointed the Chairman of the Audit Committee of the Company in May 2015.

## 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.

## Financial Review (Cont'd)

### **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 (unaudited) HK\$'000	2016 (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

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

# Condensed Consolidated Statement of Financial Position

Notes	As at 30 June 2017 (unaudited) HK\$'000	As at 31 December 2016 (audited) HK\$'000
<b>Non-current assets</b>		
9	1,126,722	1,057,678
10	1,590,935	1,551,258
11	3,532,169	3,497,918
	321,384	310,922
	170,507	179,821
	75,420	57,157
	<b>6,817,137</b>	<b>6,654,754</b>
<b>Current assets</b>		
	15,287	18,087
	492	1,470
	9,766	7,048
	981,346	937,503
12	1,144,226	1,057,411
	816,833	859,432
	<b>2,967,950</b>	<b>2,880,951</b>
<b>Current liabilities</b>		
12	(752,813)	(887,355)
	(372)	(1,198)
13	(1,762,980)	(1,746,055)
	(341)	(270)
14	(1,100,000)	(1,356,000)
	(90,876)	(106,134)
	<b>(3,707,382)</b>	<b>(4,097,012)</b>
	<b>(739,432)</b>	<b>(1,216,061)</b>
	<b>6,077,705</b>	<b>5,438,693</b>

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

		As at 30 June 2017 (unaudited) HK\$'000	As at 31 December 2016 (audited) HK\$'000
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Bank borrowings	13	(1,392,000)	(924,000)
Finance lease obligations		(762)	(876)
Deferred taxation		(67,584)	(61,442)
		<b>(1,460,346)</b>	(986,318)
<b>Total net assets</b>			
		<b>4,617,359</b>	4,452,375
<b>Capital and reserves</b>			
Share capital	15	961,107	961,107
Share premium and reserves		3,510,172	3,349,478
<b>Equity attributable to shareholders of the Company</b>			
		<b>4,471,279</b>	4,310,585
Non-controlling interests of subsidiaries		146,080	141,790
<b>Total equity</b>			
		<b>4,617,359</b>	4,452,375

# Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company							Attributable to non-controlling interests of subsidiaries		Total (unaudited) HK\$'000
	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Investment revaluation reserve (unaudited) HK\$'000	Asset revaluation reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Other reserves (unaudited) HK\$'000	Retained earnings (unaudited) HK\$'000	Sub-total (unaudited) HK\$'000	(unaudited) HK\$'000	
<b>2016</b>										
At 1 January 2016	961,107	3,849,601	(27,624)	34,379	(1,379,444)	(331,865)	1,008,922	4,115,076	144,186	4,259,262
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)
At 30 June 2016	961,107	3,763,101	(35,075)	34,379	(1,261,348)	(335,635)	1,196,341	4,322,870	155,386	4,478,256
<b>2017</b>										
At 1 January 2017	961,107	3,763,101	(32,526)	34,379	(1,337,741)	(338,628)	1,260,893	4,310,585	141,790	4,452,375
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)
At 30 June 2017	961,107	3,666,990	(41,840)	34,379	(1,137,412)	(442,611)	1,430,666	4,471,279	146,080	4,617,359

# Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Net cash from operating activities	2,856	89,484
Net cash outflow from investing activities	(23,692)	(24,509)
Net cash outflow from financing activities	(36,144)	(140,516)
Decrease in cash and cash equivalents	(56,980)	(75,541)
Cash and cash equivalents at beginning of the period	859,432	820,402
Effect of foreign exchange rate changes	14,381	1,383
Cash and cash equivalents at end of the period	816,833	746,244
Analysis of balances of cash and cash equivalents:		
Bank balances and deposits	816,833	768,768
Bank overdrafts (included in bank borrowings)	–	(22,524)
	816,833	746,244

# 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 HK\$'000	2016 HK\$'000
Agriculture-related	971,594	1,019,989
Health	1,341,011	1,503,910
Investment	1,352	3,768
	<b>2,313,957</b>	<b>2,527,667</b>

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 3. REVENUE AND SEGMENT INFORMATION (CONT'D)

#### B. Segment results

An analysis of the segment results is as follows:

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

### 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.



## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 5. TAXATION

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

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	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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>(3,778)</b>	(3,500)

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

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

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

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

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 10. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Vines HK\$'000	Salt fields HK\$'000	Construction in progress HK\$'000	Laboratory instruments, plant and equipment HK\$'000	Furniture, fixtures and other assets HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
<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>458,366</b>	<b>538,205</b>	<b>253,474</b>	<b>64,533</b>	<b>728,812</b>	<b>153,029</b>	<b>162,736</b>	<b>2,359,155</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>44,030</b>	<b>108,486</b>	<b>-</b>	<b>-</b>	<b>429,081</b>	<b>117,552</b>	<b>69,071</b>	<b>768,220</b>
<b>Carrying Values</b>								
<b>At 30 June 2017</b>	<b>414,336</b>	<b>429,719</b>	<b>253,474</b>	<b>64,533</b>	<b>299,731</b>	<b>35,477</b>	<b>93,665</b>	<b>1,590,935</b>
At 31 December 2016	405,528	420,907	242,345	59,977	290,640	36,225	95,636	1,551,258

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

## 11. INTANGIBLE ASSETS

	Development costs HK\$'000	Patents HK\$'000	Goodwill HK\$'000	Trademarks HK\$'000	Customer relationship HK\$'000	Water rights HK\$'000	Other intangible assets HK\$'000	Total 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

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 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 HK\$'000</b>	<b>As at 31 December 2016 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

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 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

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

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### *Financial instruments measured at fair value on a recurring basis*

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 30 June 2017</b>				
<b>Available-for-sale investments</b>				
Equity securities – listed in Hong Kong	20,491	–	–	20,491
<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	15,287	492	–	15,779
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial liabilities	–	372	–	372
<b>As at 31 December 2016</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.

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONT'D)

#### *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.



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

As at 30 June 2017, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

## LONG POSITIONS IN THE SHARES OF THE COMPANY

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

Note:

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

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2017, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

# Interests and Short Positions of Shareholders

So far as is known to any Director or chief executive of the Company, as at 30 June 2017, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

## (1) LONG POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES OF THE COMPANY

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

## Interests and Short Positions of Shareholders (Cont'd)

### (2) LONG POSITIONS OF OTHER PERSONS IN THE SHARES OF THE COMPANY

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

Notes:

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

Save as disclosed above, as at 30 June 2017, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

# Corporate Governance

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 (“Listing Rules”) 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 (“Chairman”) 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.

### **(1) BOARD COMPOSITION AND BOARD PRACTICES**

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders' value. The Board consists of a total of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. One-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and the CG Code.

The positions of the Chairman and the Chief Executive Officer are currently held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group's business.

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

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

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

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 8 September 2008, which will be revised and adopted from time to time. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2017.

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

## Corporate Governance (Cont'd)

### **(3) RISK MANAGEMENT AND INTERNAL CONTROLS**

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the six months ended 30 June 2017.

### **(4) AUDIT COMMITTEE**

The Company established the 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 report for the six months ended 30 June 2017 has been reviewed by the Audit Committee.

### **(5) REMUNERATION COMMITTEE**

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

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and management, and reviewing the remuneration packages of all Executive Directors and management with reference to the corporate goals and objectives of the Board resolved from time to time.

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

The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose to receive such documents using electronic means through the Company's website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; (v) press conferences and briefing meetings with analysts are arranged from time to time to update on the performance of the Group; (vi) the Company's Branch Share Registrar deals with shareholders for share registration and related matters; and (vii) the Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally.

In compliance with the CG Code, the Company has established a shareholders communication policy in March 2012 which is subject to review on a regular basis to ensure its effectiveness.

## Other Information

### **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.

### **RISK FACTORS**

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

### **Global Economy**

Global economic growth remains slow with subdued demand conditions in the major economies. The outcomes of the negotiations of the United Kingdom ("UK") leaving the European Union and the recent depreciation of the US dollar against major currencies around the world heightened uncertainties in the world economy and global financial market. Slowdown in global economic growth could lead to economic contractions in certain markets, commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. The Group has investments in different countries and cities around the world. Any adverse economic conditions in those countries and cities in which the Group operates may potentially impact on the Group's financial position or potential income, asset value and liabilities.

### **Highly Competitive Markets**

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



### Research and Development

Research and development conducted by the Group is a lengthy and expensive process involving a lot of trial testing in order to demonstrate that the products are effective and safe for commercial sale. Successful results in the early stage of the trial process may, upon further review, be revised or negated by regulatory authorities or by later stage trial results and there is no assurance that any of the research and development activities will produce positive results.

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

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

### Intellectual Property

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

## Other Information (Cont'd)

### Industry Trends and Interest Rates

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

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

### Loan Renewal and Refinancing

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

### Risk of Asset Impairment

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

### Currency Fluctuations

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

### Fluctuations in Treasury Investment Valuation

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

### Cybersecurity

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

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

### Strategic Partners

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

## Other Information (Cont'd)

### Impact of Local, National and International Regulations

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

### Wine and Vineyard Market

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

### Impact of New Accounting Standards

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

### Connected Transactions

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

### Mergers and Acquisitions

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

## Other Information (Cont'd)

### Natural Disasters, Climatic Change and Environmental Change

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

Although the Group has not experienced any major structural damage to its assets or facilities from earthquakes or natural disasters to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to the Group's assets or facilities, which could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

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

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

### Past Performance and Forward Looking Statements

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