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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 2018**

### **2018 FIRST HALF RESULTS**

For the six months ended 30 June 2018, CK Life Sciences Int'l., (Holdings) Inc. (“CK Life Sciences” or the “Company”) recorded unaudited profit attributable to shareholders of HK\$171 million, similar to that of the corresponding period last year. Given the severe drought in Australia, this result is satisfactory.

The Board of Directors has not declared any interim dividend for the period under review (2017: Nil).

### **NUTRACEUTICAL BUSINESS**

Contribution from the Company’s nutraceutical business segment recorded satisfactory growth in the first half of 2018 as compared to the corresponding period last year.

Sales and contribution in Lipa Pharmaceuticals Limited, Australia’s largest contract manufacturer of complementary healthcare medicines, vitamins, and nutritional supplements, continued to recover on the back of customers’ improved export volumes to China in the first half of 2018.

The Company’s nutraceutical business in North America comprises Vitaquest International Holdings LLC (“Vitaquest”), a custom contract manufacturer of vitamins and supplements in the United States, and Santé Naturelle A.G. Ltée (“SNAG”), one of the largest and longest established natural health companies in Quebec, Canada. Vitaquest made progress in diversifying the customer base to mitigate the impact of competition from online marketers on existing customers. Efforts have also been made to improve efficiency and margins. SNAG products continued to perform well at point of sale, and efforts to broaden distribution online and overseas are bearing fruit.

## **AGRICULTURE-RELATED BUSINESS**

CK Life Sciences' agriculture-related business consists of three main sectors - vineyards, Cheetham Salt Limited ("Cheetham") and Australian Agribusiness (Holdings) Pty Ltd ("Australian Agribusiness"). During the first six months of 2018, the agriculture-related business segment recorded satisfactory sales growth.

As the vineyard properties are contracted with long-term leases, steady revenues were generated from the vineyard portfolio.

Cheetham, Australasia's leading supplier of domestic salt, recorded satisfactory growth in the first half of 2018. In December 2017, the company completed an asset swap in which an acquisition of the remaining 50% share of the salt field operations in New Zealand which the Company did not own, and a disposal of shares in a retail and distribution 50/50 salt business joint venture took place. These transactions contributed positively to Cheetham's performance in the period under review.

Australian Agribusiness comprises businesses manufacturing and marketing products ranging from crop protection, home gardening, professional turf management, to pest management and specialty agriculture. Despite drought conditions in large production areas of the country and strong price competition in the market, sales growth was recorded in Australian Agribusiness.

## **PHARMACEUTICAL RESEARCH AND DEVELOPMENT**

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

The Company is developing a proprietary polyvalent therapeutic cancer vaccine (seviprotimut-L) for melanoma. The global market of this most serious form of cancer currently exceeds US\$1 billion and is projected to grow exponentially in the coming years. Seviprotimut-L, being developed by Polynoma LLC ("Polynoma"), is targeted at the adjuvant treatment of patients with early stages (Stages I Ib, I Ic & I II) of melanoma after they have undergone resection. Its mechanism of action is via triggering the body's immune system to develop antibodies and antigen-specific T lymphocytes, thereby delaying recurrence and extending survival in patients. Unlike other drugs that have been approved for the adjuvant treatment of melanoma, seviprotimut-L has so far been shown to have few adverse effects in clinical trials. The US Food and Drug Administration (FDA) Phase III clinical trial of seviprotimut-L has progressed according to schedule. Approximately 350 enrolled patients are being monitored for recurrence of melanoma, with an interim data analysis on track to take place in the near term.

Uncontrolled chronic pain is a major unmet medical need. In particular, there is demand for treatment specifically approved for chemotherapy-induced neuropathic pain ("CINP"). WEX Pharmaceuticals Inc. ("WEX Pharma") is developing an analgesic based on the puffer fish toxin, tetrodotoxin. WEX Pharma's product, Halneuron<sup>TM</sup>, acts by blocking Na<sub>v</sub>1.7 voltage-gated sodium channels and is potentially a first-in-class drug approved for the treatment of pain. There is currently no specific FDA-approved treatment for CINP; doctors often prescribe analgesics,

including opioids, which have significant adverse effects and may not be efficacious. WEX Pharma is engaged in active discussion with the US FDA for the approval of a Phase III clinical trial of Halneuron™. We are hopeful that the clinical trial can commence in both the US and Canada in the near future. Once demonstrated effective for CINP, Halneuron™ can be developed for other more generic types of chronic pain, and other methods of administration can also be explored. Market potential for such pain management solutions is significant.

## **PROSPECTS**

While there may be from time to time short-term market fluctuations and unfavorable weather conditions impacting some segments of our business, we remain positive on the overall prospects for CK Life Sciences.

In addition to pursuing organic growth to bolster our performance, continued efforts will be made to identify prudent strategic acquisitions when appropriate opportunities present themselves. As a member of the CK Group, CK Life Sciences is uniquely positioned to drive growth not only through leveraging the Group's considerable capital resources but also through exploring synergistic partnerships within the Group.

We will also continue to build on and strengthen our R&D platform in a disciplined manner to facilitate the production and commercialization of effective breakthrough products that address unmet market potential and add value to shareholders.

As always, I would like to thank our shareholders, Board of Directors and staff for their continued support.

**Li Tzar Kuoi, Victor**  
Chairman

Hong Kong, 23 July 2018

## **FINANCIAL REVIEW**

### **Financial Resources and Liquidity**

As at 30 June 2018, the total assets of the Group were about HK\$10,585.5 million, of which bank balances and time deposits were about HK\$1,052.7 million and treasury investments were about HK\$226.3 million. The bank interest generated for the first six months of 2018 was HK\$4.5 million. The net loss arising from the Group's investment segment for the period ended 30 June 2018 was HK\$18.1 million.

At the end of the period under review, the total liabilities of the Group were HK\$5,982.4 million, comprising bank and other borrowings amounted to HK\$4,845.1 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 2018 was HK\$57.2 million.

As at 30 June 2018, the net debt to net total capital ratio of the Group was approximately 45.18%, 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 2018, certain assets of the Group's subsidiary companies with a carrying value of HK\$846.0 million were pledged as part of the security for bank borrowings totalling HK\$353.1 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\$31.7 million for the period ended 30 June 2018.

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

As of 30 June 2018, the total capital commitments by the Group amounted to HK\$48.6 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 1,783 as at 30 June 2018, and is 42 more than the total headcount of 1,741 as at 30 June 2017. The total staff costs, including director's emoluments, amounted to approximately HK\$498.4 million for the six months ended 30 June 2018, which represents an increase of 2% as compared to the same period in 2017. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2017.

## **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2018.

## Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2018	2017
		(unaudited) HK\$'000	(unaudited) HK\$'000 (Restated)
Revenue	3	<b>2,541,210</b>	2,313,957
Cost of sales		<b>(1,690,023)</b>	(1,524,105)
		<b>851,187</b>	789,852
Other income, gains and losses		<b>16,927</b>	9,400
Staff costs	4	<b>(261,147)</b>	(259,466)
Depreciation		<b>(26,870)</b>	(29,619)
Amortisation of intangible assets		<b>(3,233)</b>	(9,346)
Other expenses		<b>(305,386)</b>	(276,386)
Finance costs		<b>(57,186)</b>	(46,246)
Share of the results of joint ventures		<b>694</b>	23,993
Profit before taxation		<b>214,986</b>	202,182
Taxation	5	<b>(38,522)</b>	(29,131)
Profit for the period	6	<b>176,464</b>	173,051
Attributable to:			
Shareholders of the Company		<b>170,932</b>	170,274
Non-controlling interests of subsidiaries		<b>5,532</b>	2,777
		<b>176,464</b>	173,051
Earnings per share	7		
- Basic		<b>1.78 cents</b>	1.77 cents
- Diluted		<b>1.78 cents</b>	1.77 cents

## Condensed Consolidated Statement of Comprehensive Income

	<b>For the six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000 (Restated)
Profit for the period	<u>176,464</u>	<u>173,051</u>
Other comprehensive (expenses)/income		
<b>Item that will not be reclassified to profit or loss:</b>		
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	<b>(3,406)</b>	(40,330)
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising from translation of foreign operations	<u>(136,266)</u>	<u>204,616</u>
Other comprehensive (expenses)/income for the period	<u>(139,672)</u>	<u>164,286</u>
Total comprehensive income for the period	<u>36,792</u>	<u>337,337</u>
Total comprehensive income attributable to:		
Shareholders of the Company	<b>34,375</b>	328,107
Non-controlling interests of subsidiaries	<u>2,417</u>	<u>9,230</u>
	<u>36,792</u>	<u>337,337</u>

## Condensed Consolidated Statement of Financial Position

		As at 30 June 2018 (unaudited) HK\$'000	As at 31 December 2017 (audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Investment properties	9	1,306,055	1,318,972
Property, plant and equipment	10	1,920,479	1,958,017
Intangible assets	11	3,550,990	3,588,711
Interests in a joint venture		7,868	8,944
Equity investments		213,496	216,902
Deferred taxation		31,498	40,160
		<u>7,030,386</u>	<u>7,131,706</u>
<b>Current assets</b>			
Equity investments		12,853	16,358
Tax recoverable		20,281	56,172
Inventories		1,211,001	1,066,929
Receivables and prepayments	12	1,258,297	1,274,727
Bank balances and deposits		1,052,652	1,037,772
		<u>3,555,084</u>	<u>3,451,958</u>
<b>Current liabilities</b>			
Payables and accruals	12	(904,536)	(1,003,561)
Bank borrowings	13	(924,000)	(93,135)
Finance lease obligations		(265)	(295)
Other borrowings	14	-	(1,100,000)
Taxation		(65,568)	(64,938)
		<u>(1,894,369)</u>	<u>(2,261,929)</u>
<b>Net current assets</b>		<u>1,660,715</u>	<u>1,190,029</u>
<b>Total assets less current liabilities</b>		<u>8,691,101</u>	<u>8,321,735</u>



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

		As at 30 June 2018 (unaudited) <u>HK\$'000</u>	As at 31 December 2017 (audited) <u>HK\$'000</u>
	Notes		
<b>Non-current liabilities</b>			
Bank borrowings	13	(2,821,094)	(3,402,073)
Finance lease obligations		(560)	(666)
Other borrowings	14	(1,100,000)	-
Deferred taxation		(166,328)	(162,291)
		<u>(4,087,982)</u>	<u>(3,565,030)</u>
<b>Total net assets</b>		<u><b>4,603,119</b></u>	<u>4,756,705</u>
<b>Capital and reserves</b>			
Share capital	15	961,107	961,107
Share premium and reserves		<u>3,499,649</u>	<u>3,655,936</u>
<b>Equity attributable to shareholders of the Company</b>			
		<u>4,460,756</u>	4,617,043
Non-controlling interests of subsidiaries		<u>142,363</u>	<u>139,662</u>
<b>Total equity</b>		<u><b>4,603,119</b></u>	<u>4,756,705</u>

## Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company									
	Share capital (unaudited)	Share premium (unaudited)	Investment revaluation reserve (unaudited)	Investment at fair value through other comprehensive income reserve (unaudited)	Translation reserve (unaudited)	Other reserves (unaudited)	Retained earnings (unaudited)	Sub-total (unaudited)	Attributable to non-controlling interests of subsidiaries (unaudited)	Total (unaudited)
	HKS'000	HKS'000	HKS'000 (Restated)	HKS'000 (Restated)	HKS'000 (Restated)	HKS'000	HKS'000 (Restated)	HKS'000 (Restated)	HKS'000	HKS'000 (Restated)
<b>2017</b>										
As at 1 January 2017 (Restated)	961,107	3,763,101	(32,526)	-	(1,324,351)	(338,628)	1,232,549	4,261,252	141,790	4,403,042
Transitional adjustments on the initial application of HKFRS 9	-	-	32,526	40,474	-	-	10,000	83,000	-	83,000
Adjusted as at 1 January 2017	961,107	3,763,101	-	40,474	(1,324,351)	(338,628)	1,242,549	4,344,252	141,790	4,486,042
Profit for the period	-	-	-	-	-	-	170,274	170,274	2,777	173,051
Exchange differences arising from translation	-	-	-	-	198,163	-	-	198,163	6,453	204,616
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	-	-	-	(40,330)	-	-	-	(40,330)	-	(40,330)
Total comprehensive (expenses)/income for the period	-	-	-	(40,330)	198,163	-	170,274	328,107	9,230	337,337
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	-	144	(1,126,188)	(442,611)	1,412,823	4,472,265	146,080	4,618,345
<b>2018</b>										
At 1 January 2018	961,107	3,666,990	-	(5,445)	(1,062,471)	(444,089)	1,500,951	4,617,043	139,662	4,756,705
Profit for the period	-	-	-	-	-	-	170,932	170,932	5,532	176,464
Exchange differences arising from translation	-	-	-	-	(133,151)	-	-	(133,151)	(3,115)	(136,266)
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	-	-	-	(3,406)	-	-	-	(3,406)	-	(3,406)
Total comprehensive (expenses)/income for the period	-	-	-	(3,406)	(133,151)	-	170,932	34,375	2,417	36,792
Addition in interests in a subsidiary	-	-	-	-	-	(94,551)	-	(94,551)	284	(94,267)
Dividends paid to the shareholders of the Company – 2017 final dividend HK\$0.01 per share	-	(96,111)	-	-	-	-	-	(96,111)	-	(96,111)
At 30 June 2018	961,107	3,570,879	-	(8,851)	(1,195,622)	(538,640)	1,671,883	4,460,756	142,363	4,603,119

## Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	105,632	2,856
Net cash outflow from investing activities	(79,957)	(23,692)
Net cash outflow from financing activities	(2,355)	(36,144)
Increase/(decrease) in cash and cash equivalents	23,320	(56,980)
Cash and cash equivalents at beginning of the period	1,037,772	859,432
Effect of foreign exchange rate changes	(8,440)	14,381
Cash and cash equivalents at end of the period	<u>1,052,652</u>	<u>816,833</u>

## Notes to the Condensed Consolidated Financial Statements

### 1. Basis of Preparation

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

### 2. Significant Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain properties 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 2017 (the “2017 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 2017 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.

Due to the early adoption of HKFRS 9 (2014) Financial Instruments (“HKFRS 9”) and change in accounting policy for land and buildings in the financial year ended 31 December 2017 after the announcement of Group’s interim report for the period ended 30 June 2017, the comparative amounts for the corresponding period in 2017 have been restated accordingly.

Details of the backgrounds and impacts of early adoption of HKFRS 9 and the change in accounting policy for the financial year ended 31 December 2017 are disclosed in note 2 to the 2017 Financial Statements.

## 2. Significant Accounting Policies (cont'd)

The effects of early adoption of HKFRS 9 and the change in accounting policy for land and buildings on the Group's financial performance for the six months ended 30 June 2017 are as follows:

	For six months ended 30 June 2017		
	Early adoption of HKFRS 9	Change in accounting policy for land and buildings	Total
	HK\$'000	HK\$'000	HK\$'000
<b>Condensed consolidated income statement</b>			
Decrease in depreciation			
- Included in cost of sales	-	712	712
- Others	-	3	3
Increase in tax expenses	-	(214)	(214)
Increase in profit for the period	-	501	501
Increase in profit for the period attributable to shareholders of the Company	-	501	501
Increase in earnings per share			
- Basic	- cents	- cents	- cents
- Diluted	- cents	- cents	- cents
<b>Condensed consolidated statement of comprehensive income</b>			
Increase in profit for the period	-	501	501
Decrease in exchange gain arising from translation of foreign operations	-	(2,166)	(2,166)
Increase in loss on fair value changes of equity investments designated at fair value through other comprehensive income	(31,016)	-	(31,016)
Decrease in total comprehensive income for the period	(31,016)	(1,665)	(32,681)
Decrease in total comprehensive income for the period attributable to shareholders of the Company	(31,016)	(1,665)	(32,681)

### 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:

	<b>For the six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Agriculture-related	<b>1,169,283</b>	971,594
Health	<b>1,371,561</b>	1,341,011
Investment	<b>366</b>	1,352
	<b><u>2,541,210</u></b>	<b><u>2,313,957</u></b>

#### B. Segment results

An analysis of the segment results is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Segment results		(Restated)
Agriculture-related	<b>117,016</b>	117,951
Health	<b>246,340</b>	225,500
Investment	<b>(18,124)</b>	(1,180)
	<b><u>345,232</u></b>	<u>342,271</u>
Research and development expenditure	<b>(31,745)</b>	(53,368)
Corporate expenses	<b>(41,315)</b>	(40,475)
Finance costs	<b>(57,186)</b>	(46,246)
Profit before taxation	<b>214,986</b>	202,182
Taxation	<b>(38,522)</b>	(29,131)
Profit for the period	<b><u>176,464</u></b>	<b><u>173,051</u></b>

#### 4. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the six months ended 30 June 2018 amounted to HK\$498.4 million (2017: HK\$490.7 million) of which HK\$237.3 million (2017: HK\$231.3 million) relating to direct labor costs was included in cost of sales.

#### 5. Taxation

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000 (Restated)
Current tax		
Hong Kong	-	-
Other jurisdictions	35,842	32,085
Deferred tax		
Other jurisdictions	2,680	(2,954)
	<u>38,522</u>	<u>29,131</u>

Hong Kong profits tax provision has been made 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	
	2018	2017
	HK\$'000	HK\$'000
Profit for the period has been arrived at after crediting:		
Included in revenue:		
Rental income from investment properties	73,933	68,475
Included in other income, gains and losses:		
Interest income from bank deposits	4,515	2,862
Fair value loss on investments mandatorily measured at fair value through profit or loss, and derivative financial instruments	(3,505)	(3,778)

## 7. Earnings Per Share

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

	<b>For the six months ended 30 June</b>	
	<u>2018</u>	<u>2017</u>
	<b>HK\$'000</b>	HK\$'000 (Restated)
<b>Profit for the period attributable to shareholders of the Company</b>		
Profit for calculating basic and diluted earnings per share	<u>170,932</u>	<u>170,274</u>
<b>Number of shares</b>		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	<u>9,611,073,000</u>	<u>9,611,073,000</u>

Diluted earnings per share for the periods ended 30 June 2018 and 2017 are 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 2018 (2017: Nil).

## 9. Investment Properties

	<b>HK\$'000</b>
<b>Valuation</b>	
At 1 January 2018	1,318,972
Additions	13,050
Exchange differences	<u>(25,967)</u>
At 30 June 2018	<u>1,306,055</u>



## 10. Property, Plant and Equipment

	Land and buildings	Vines	Salt fields	Construction in progress	Laboratory instruments, plant and equipment	Furniture, fixtures and other assets	Leasehold improvement	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>								
At 1 January 2018	636,142	540,527	365,446	74,850	945,795	143,858	168,408	2,875,026
Additions	21,722	212	-	34,122	4,844	5,226	1,529	67,655
Reclassification	13,415	-	2,631	(28,310)	8,206	1,054	3,004	-
Disposals/write-off	-	-	-	(172)	(10)	(3,052)	-	(3,234)
Exchange differences	(12,628)	(11,071)	(6,487)	(1,457)	(18,359)	(1,900)	(2,137)	(54,039)
<b>At 30 June 2018</b>	<b>658,651</b>	<b>529,668</b>	<b>361,590</b>	<b>79,033</b>	<b>940,476</b>	<b>145,186</b>	<b>170,804</b>	<b>2,885,408</b>
<b>Depreciation and impairment</b>								
At 1 January 2018	92,678	181,621	-	-	456,540	109,806	76,364	917,009
Provided for the period	6,814	11,936	-	-	38,282	5,421	6,920	69,373
Elimination upon disposals/write-off	-	-	-	-	-	(2,891)	-	(2,891)
Exchange differences	(1,314)	(5,021)	-	-	(10,094)	(1,413)	(720)	(18,562)
<b>At 30 June 2018</b>	<b>98,178</b>	<b>188,536</b>	<b>-</b>	<b>-</b>	<b>484,728</b>	<b>110,923</b>	<b>82,564</b>	<b>964,929</b>
<b>Carrying Values</b>								
<b>At 30 June 2018</b>	<b>560,473</b>	<b>341,132</b>	<b>361,590</b>	<b>79,033</b>	<b>455,748</b>	<b>34,263</b>	<b>88,240</b>	<b>1,920,479</b>
At 31 December 2017	543,464	358,906	365,446	74,850	489,255	34,052	92,044	1,958,017

## 11. Intangible Assets

	Development costs	Patents	Goodwill	Brand name and trademarks	Customer relationships	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 2018	423,435	150	2,858,728	130,081	387,017	171,744	11,699	3,982,854
Additions	-	-	-	-	-	-	6,688	6,688
Exchange differences	(6,148)	(5)	(27,266)	(2,464)	(5,945)	(5,152)	(220)	(47,200)
<b>At 30 June 2018</b>	<b>417,287</b>	<b>145</b>	<b>2,831,462</b>	<b>127,617</b>	<b>381,072</b>	<b>166,592</b>	<b>18,167</b>	<b>3,942,342</b>
<b>Amortisation and impairment</b>								
At 1 January 2018	477	124	-	-	368,400	16,404	8,738	394,143
Provided for the period	-	-	-	-	2,249	-	984	3,233
Exchange differences	(14)	(4)	-	-	(5,469)	(492)	(45)	(6,024)
<b>At 30 June 2018</b>	<b>463</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>365,180</b>	<b>15,912</b>	<b>9,677</b>	<b>391,352</b>
<b>Carrying values</b>								
<b>At 30 June 2018</b>	<b>416,824</b>	<b>25</b>	<b>2,831,462</b>	<b>127,617</b>	<b>15,892</b>	<b>150,680</b>	<b>8,490</b>	<b>3,550,990</b>
At 31 December 2017	422,958	26	2,858,728	130,081	18,617	155,340	2,961	3,588,711

## 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 2018</b>	As at 31 December 2017
	<b>HK\$'000</b>	HK\$'000
<b>Trade receivables</b>		
0 - 90 days	<b>987,732</b>	993,059
Over 90 days	<b>58,903</b>	69,000
	<b><u>1,046,635</u></b>	<u>1,062,059</u>
<b>Trade payables</b>		
0 - 90 days	<b>407,485</b>	396,184
Over 90 days	<b>24,960</b>	11,013
	<b><u>432,445</u></b>	<u>407,197</u>

## 13. Bank Borrowings

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

## 14. Other Borrowings

Included in other borrowings is a loan of HK\$498.4 million (2017: HK\$498.4 million) from a subsidiary of a substantial shareholder of the Company, which is unsecured, bearing interest with reference to Hong Kong Interbank Offered Rate (the "HIBOR") plus margin of 1.05% (2017: 1.08%) per annum, and with due date in February 2021. During the period, total interest expenses of HK\$5.1 million (2017: HK\$7.0 million) were incurred for this shareholder loan.

The remaining borrowing of HK\$601.6 million (2017: HK\$601.6 million) is unsecured, bearing interest with reference to HIBOR plus margin of 1.05% (2017: 1.08%) per annum, and with due date in February 2021.

## 15. Share Capital

	Number of share of HK\$0.1 each '000	Nominal value HK\$'000
<b>Authorised</b>		
At 31 December 2017 and 30 June 2018	15,000,000	1,500,000
<b>Issued and fully paid</b>		
At 31 December 2017 and 30 June 2018	9,611,073	961,107

## 16. Fair Value Measurement of Financial Instruments

### Financial Instruments measured at fair value on a recurring basis

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 30 June 2018</b>				
<b>Financial assets designated at fair value through other comprehensive income</b>				
Equity securities – listed in Hong Kong	11,496	-	-	11,496
Equity securities – unlisted investments	-	-	202,000	202,000
Total	11,496	-	202,000	213,496
<b>Financial assets mandatorily measured at fair value through profit or loss</b>				
Non-derivative financial assets held for trading	12,853	-	-	12,853
<b>As at 31 December 2017</b>				
<b>Financial assets designated at fair value through other comprehensive income</b>				
Equity securities – listed in Hong Kong	14,902	-	-	14,902
Equity securities – unlisted investments	-	-	202,000	202,000
Total	14,902	-	202,000	216,902
<b>Financial assets mandatorily measured at fair value through profit or loss</b>				
Non-derivative financial assets held for trading	16,358	-	-	16,358

There were no transfers between Levels 1 and 2, or transfers into or out of Level 3 during the six months ended 30 June 2018 and 2017.

### Information about Level 3 fair value measurements

The fair value of the unlisted investments in level 3 is determined using a market approach valuation technique which is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. Factors considered in determining the fair value of these investments include multiples of several comparable companies.

## **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 2018:

- (i) The Group made sales of HK\$12.0 million (2017: HK\$7.5 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 a related company of a director of a wholly owned subsidiary company, Vitaquest International Holdings LLC. The total rental payment by the Group to Leknarf amounted to HK\$12.1 million (2017: HK\$11.8 million).
- (iii) The Group has engaged Challenger Management Services Limited (“CMSL”) as a manager of its vineyard portfolio held in Australia and New Zealand. CMSL is a fellow subsidiary of a 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\$3.3 million (2017: HK\$3.1 million) were incurred.
- (iv) The Group made sales of HK\$0.8 million (2017: HK\$48.8 million) to joint ventures of Cheetham Salt Limited, a wholly owned subsidiary of the Company during the period. During the six months ended 30 June 2017, the Group made purchase of HK\$6.9 million from these joint ventures.

## **18. Comparative amounts**

Due to the reasons as described in note 2, certain prior period adjustments have been made and certain comparative amounts have been restated to conform to the current period’s presentation and accounting treatment.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

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

Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2018. 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.

## **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 results for the six months ended 30 June 2018 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, 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).*