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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 2016

2016 FIRST HALF RESULTS

CK Life Sciences Int'l. (Holdings) Inc. (“CK Life Sciences” or the “Company”) recorded a steady performance during the first half of 2016.

For the six months ended 30 June 2016, profit attributable to shareholders was HK\$187.4 million, an increase of 5% over the corresponding period last year.

The Board of Directors has not declared any interim dividend for the period under review (2015: Nil).

AGRICULTURE-RELATED BUSINESS

As at 30 June 2016, the agriculture-related business recorded profit contribution of HK\$143.7 million, an amount similar to that of the same period last year.

Australian Agribusiness Holdings Ltd, which comprises Accensi Pty Ltd (“Accensi”) and Amgrow Pty Ltd (“Amgrow”) performed well during the period under review. Accensi, the leading toll manufacturer of crop protection products in Australasia, witnessed record volumes produced at all locations. Amgrow, the largest supplier of products and services in Australia’s professional golf and turf management industry, also reported satisfactory growth.

Backed by long term tenancy agreements, CK Life Sciences’ vineyard portfolio continued to generate recurrent income. The Group is currently the second largest vineyard owner in Australasia, and one of the top ten largest vineyard owners in the world.

Cheetham Salt, Australasia’s leading supplier of domestic salt, maintained share under competitive pressure through enhanced management of customer relationships.

NUTRACEUTICAL BUSINESS

CK Life Sciences' nutraceutical business achieved a 29% increase in profit contribution, amounting to HK\$268.1 million.

During the first half, businesses in the portfolio progressed well. Santé Naturelle A.G. Ltée in Canada continued to show improvements in market share and growth. Preparations for the launch of a premium line of products in Quebec have been completed.

In the United States, Vitaquest International Holdings LLC ("Vitaquest") completed the first phase of its project to automate powder and packaging operations. This advancement enabled Vitaquest to further improve margins.

In Australia, commissioning of a new standalone packing facility in Lipa Pharmaceuticals Limited has been completed with regulatory certification targeted to be in place in the third quarter. In addition to improving efficiency, the new facility will allow the business to reduce the use of external contractors, improve customer service and flexibility, as well as build a platform for future growth and development in this sector.

RESEARCH AND DEVELOPMENT

In pharmaceutical R&D, our areas of focus have been oncology and pain management.

Our lead project in oncology is a vaccine for melanoma designed for patients in earlier stages of the disease. Current products on the market target patients at a late stage of the disease and their safety profile is not appropriate for earlier stage patients. Since there is no safe and effective treatment which slows or prevents recurrence of melanoma among earlier stage patients, our product, if demonstrated to be effective, could reach a market larger than that for current products targeted at late stage patients. We are now in the second part of the Phase III clinical trial under a Special Protocol Assessment (SPA) with the Food and Drug Administration (FDA) in the United States. Patient recruitment is in progress.

In pain management, our unique product derived from the tetrodotoxin (TTX) in puffer fish has entered Phase III trial in Canada for cancer-related pain (CRP) and Phase II trial for chemotherapy-induced neuropathic pain (CINP) in the United States. These two indications are the most severe of pain types. Current treatments for severe pain are predominantly opioid-based and carry significant side effects and can be abused easily. Data from the trials so far of our TTX product show that it is safe with minimal side effects. If demonstrated effective, it has potential to address a very large market for severe as well as less severe pain. We have submitted an SPA to the United States FDA for Phase III trial in CINP and will shortly submit one for CRP. We will also communicate our SPA plans with Health Canada, with whom we have interacted closely to work towards aligning the United States and Canadian registration programmes to allow registration in both countries.

PROSPECTS

We are optimistic about CK Life Sciences' future prospects.

The combination of organic growth and progress in R&D gives us confidence about CK Life Sciences' future prospects. We will continue to strive for improvement in performance through organic growth, pursue acquisition opportunities as well as provide adequate funding to support R&D, and where possible, speed up the commercialisation process.

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

Li Tzar Kuoi, Victor
Chairman

Hong Kong, 27 July 2016

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 30 June 2016, the total assets of the Group were about HK\$9,754.2 million, of which bank balances and time deposits were about HK\$768.8 million and treasury investments were about HK\$212.2 million. The bank interest generated for the first six months of 2016 was HK\$1.7 million. The net loss arising from the Group's investment segment for the period ended 30 June 2016 was HK\$2.9 million.

At the end of the period under review, the total liabilities of the Group were HK\$5,275.9 million, comprising borrowings from banks and major shareholders amounted to HK\$2,853.3 million and HK\$1,356.0 million, respectively. The financing from banks and major shareholders was 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 2016 was HK\$50.4 million.

As at 30 June 2016, the net debt to net total capital ratio of the Group was approximately 43.46%, 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\$0.47 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 2016, certain assets of the Group's subsidiary companies with carrying value of HK\$970.0 million were pledged as part of the security for bank borrowings totalling HK\$526.3 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\$82.9 million for the period ended 30 June 2016.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 30 June 2016, the total capital commitments by the Group amounted to HK\$86.3 million which were mainly made up of contracted commitments in respect of the acquisition of plant and equipment, and maintenance of vineyards.

Information on Employees

The total number of full-time employees of the Group was 1,784 as at 30 June 2016, and is 89 more than the total headcount of 1,695 as at 30 June 2015. The total staff costs, including director's emoluments, amounted to approximately HK\$503.8 million for the six months ended 30 June 2016, which represents a increase of 9% as compared to the same period of 2015. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2015.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2016.

Condensed Consolidated Income Statement

		For the six months ended 30 June	
		2016	2015
		(unaudited)	(unaudited)
Notes		HK\$'000	HK\$'000 (Restated)
Revenue	3	2,527,667	2,449,263
Cost of sales		(1,634,085)	(1,586,157)
		893,582	863,106
Other income, gains and losses		12,628	84,207
Staff costs	4	(262,903)	(244,175)
Depreciation		(23,623)	(25,667)
Amortisation of intangible assets		(10,276)	(20,249)
Other expenses		(345,825)	(417,807)
Finance costs		(50,429)	(53,451)
Share of the results of joint ventures		18,298	20,205
Profit before taxation		231,452	206,169
Taxation	5	(39,976)	(26,787)
Profit for the period	6	191,476	179,382
Attributable to:			
Shareholders of the Company		187,419	178,666
Non-controlling interests of subsidiaries		4,057	716
		191,476	179,382
Earnings per share	7		
- Basic		1.95 cents	1.86 cents
- Diluted		1.95 cents	1.86 cents

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000 (Restated)
Profit for the period	<u>191,476</u>	<u>179,382</u>
Other comprehensive income/(expenses)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	121,469	(309,509)
(Loss)/gain on fair value changes of available-for-sale investments	(7,451)	15,966
Reclassification adjustment upon disposal of available-for-sale investments	-	(24,236)
Other comprehensive income/(expenses) for the period	<u>114,018</u>	<u>(317,779)</u>
Total comprehensive income/(expenses) for the period	<u>305,494</u>	<u>(138,397)</u>
Total comprehensive income/(expenses) attributable to:		
Shareholders of the Company	298,064	(124,407)
Non-controlling interests of subsidiaries	7,430	(13,990)
	<u>305,494</u>	<u>(138,397)</u>

Condensed Consolidated Statement of Financial Position

		As at 30 June 2016 (unaudited)	As at 31 December 2015 (unaudited)
	Notes	HK\$'000	HK\$'000 (Restated)
Non-current assets			
Investment properties	9	1,018,390	991,434
Property, plant and equipment	10	1,542,010	1,521,375
Intangible assets	11	3,575,968	3,535,281
Interests in joint ventures		305,991	303,174
Available-for-sale investments		187,272	194,723
Deferred taxation		51,868	48,305
		6,681,499	6,594,292
Current assets			
Investments at fair value through profit or loss		22,522	25,041
Derivative financial instruments		2,357	3,338
Tax recoverable		10,133	8,734
Inventories		1,050,230	923,382
Receivables and prepayments	12	1,218,658	1,117,273
Bank balances and deposits	13	768,768	840,751
		3,072,668	2,918,519
Current liabilities			
Payables and accruals	12	(931,420)	(910,958)
Derivative financial instruments		(2,105)	(2,707)
Bank borrowings	14	(526,316)	(1,431,864)
Finance lease obligations		(357)	(425)
Other borrowings	15	(1,356,000)	-
Taxation		(80,997)	(98,617)
		(2,897,195)	(2,444,571)
Net current assets		175,473	473,948
Total assets less current liabilities		6,856,972	7,068,240

Condensed Consolidated Statement of Financial Position (cont'd)

		As at 30 June 2016 (unaudited)	As at 31 December 2015 (unaudited)
	Notes	HK\$'000	HK\$'000 (Restated)
Non-current liabilities			
Bank borrowings	14	(2,327,000)	(1,403,000)
Finance lease obligations		(1,001)	(1,092)
Other borrowings	15	-	(1,356,000)
Deferred taxation		(50,715)	(48,886)
		<u>(2,378,716)</u>	<u>(2,808,978)</u>
Total net assets		<u>4,478,256</u>	<u>4,259,262</u>
Capital and reserves			
Share capital	16	961,107	961,107
Share premium and reserves		<u>3,361,763</u>	<u>3,153,969</u>
Equity attributable to shareholders of the Company		4,322,870	4,115,076
Non-controlling interests of subsidiaries		<u>155,386</u>	<u>144,186</u>
Total equity		<u>4,478,256</u>	<u>4,259,262</u>

Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company								Attributable to non-controlling interests of subsidiaries (unaudited)	Total (unaudited)
	Share capital (unaudited)	Share premium (unaudited)	Investment revaluation reserve (unaudited)	Asset revaluation reserve (unaudited)	Translation reserve (unaudited)	Other reserves (unaudited)	Retained earnings (unaudited)	Sub-total (unaudited)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
2015										
At 1 January 2015	961,107	3,926,489	59,414	34,379	(789,882)	(318,924)	790,065	4,662,648	212,321	4,874,969
Profit for the period	-	-	-	-	-	-	178,666	178,666	716	179,382
Exchange differences arising from translation	-	-	-	-	(294,803)	-	-	(294,803)	(14,706)	(309,509)
Gain on fair value changes of available-for-sale investments	-	-	15,966	-	-	-	-	15,966	-	15,966
Reclassification adjustments upon disposal of available-for-sale investments	-	-	(24,236)	-	-	-	-	(24,236)	-	(24,236)
Total comprehensive (expenses)/income for the period	-	-	(8,270)	-	(294,803)	-	178,666	(124,407)	(13,990)	(138,397)
Addition in interests in a subsidiary	-	-	-	-	-	(9,134)	-	(9,134)	4,059	(5,075)
Dividends paid to the shareholders of the Company – 2014 final dividend HK\$0.008 per share	-	(76,888)	-	-	-	-	-	(76,888)	-	(76,888)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(9,313)	(9,313)
At 30 June 2015	961,107	3,849,601	51,144	34,379	(1,084,685)	(328,058)	968,731	4,452,219	193,077	4,645,296
2016										
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

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	89,484	79,061
Net cash outflow from investing activities	(24,509)	(88,304)
Net cash outflow from financing activities	(140,516)	(240,900)
Decrease in cash and cash equivalents	(75,541)	(250,143)
Cash and cash equivalents at beginning of the period	820,402	956,761
Effect of foreign exchange rate changes	1,383	(9,566)
Cash and cash equivalents at end of the period	746,244	697,052
Analysis of balances of cash and cash equivalents:		
Bank balances and deposits	768,768	711,917
Bank overdrafts (included in bank borrowings)	(22,524)	(14,865)
	746,244	697,052

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 2015 (the “2015 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 2015 Financial Statements.

Except for the amendments to *Hong Kong Accounting Standard 16 and Hong Kong Accounting Standard 41 Agriculture: Bearer Plants (the “Amendments to HKAS 16 and HKAS 41”)* as described below, the adoption of other new and revised HKFRSs has no material impact on the accounting policies in the Group’s interim financial statements for the period.

Impact of the Amendments to HKAS 16 and HKAS 41

The Amendments to HKAS 16 and HKAS 41 distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of machinery. They will therefore now be accounted for under HKAS 16. However, the agricultural produce growing on bearer plants will remain within the scope of HKAS 41.

The Group’s vines qualify as bearer plants under this new definition in HKAS 41 and therefore should be accounted for as property, plant and equipment in accordance with HKAS 16.

The application of the Amendments to HKAS 16 and HKAS 41 in the current period has resulted in change in accounting policy for the Group’s vines. As required under HKAS 8, the change in accounting policy has been applied retrospectively. As a consequence, the vines were reclassified to property, plant and equipment effective 1 January 2015 and comparative figures have been restated accordingly.

The vines are now measured at amortised cost and depreciated over their estimated useful life, which is estimated to be 30 to 80 years, and after taking into account their estimated residual values, using the straight-line method. As permitted under the transitional rules, the fair value of the vines at 1 January 2015 (HK\$549,113,000) was deemed to be their cost going forward.

The effects of change in accounting policy described above on the Group's financial performance for the six months ended 30 June 2016 and 2015 are as follows:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Condensed consolidated income statement		
Increase in depreciation	(10,759)	(14,530)
Decrease in profit for the period	<u>(10,759)</u>	<u>(14,530)</u>
Decrease in profit for the period attributable to:		
Shareholders of the Company	(9,196)	(12,140)
Non-controlling interests of subsidiaries	<u>(1,563)</u>	<u>(2,390)</u>
	<u>(10,759)</u>	<u>(14,530)</u>
Decrease in earnings per share		
- Basic	(0.10 cent)	(0.13 cent)
- Diluted	<u>(0.10 cent)</u>	<u>(0.13 cent)</u>
Condensed consolidated statement of comprehensive income		
Decrease in profit for the period	(10,759)	(14,530)
(Decrease)/increase in exchange gain arising from translation of foreign operations	(124)	358
Decrease in total comprehensive income for the period	<u>(10,883)</u>	<u>(14,172)</u>
Decrease in total comprehensive income for the period attributable to:		
Shareholders of the Company	(9,315)	(11,814)
Non-controlling interests of subsidiaries	<u>(1,568)</u>	<u>(2,358)</u>
	<u>(10,883)</u>	<u>(14,172)</u>

	As originally stated	Adjustments	As restated
	HK\$'000	HK\$'000	HK\$'000
Condensed consolidated income statement for the six months ended 30 June 2015			
Depreciation	(11,137)	(14,530)	(25,667)
Profit for the period	193,912	(14,530)	179,382
Profit for the period attributable to:			
Shareholders of the Company	190,806	(12,140)	178,666
Non-controlling interests of subsidiaries	3,106	(2,390)	716
Earnings per share			
- Basic	1.99 cents	(0.13 cents)	1.86 cents
- Diluted	1.99 cents	(0.13 cents)	1.86 cents
Condensed consolidated statement of comprehensive income for the six months ended 30 June 2015			
Profit for the period	193,912	(14,530)	179,382
Exchange differences arising from translation of foreign operations	(309,867)	358	(309,509)
Total comprehensive expenses for the period	(124,225)	(14,172)	(138,397)
Total comprehensive expenses for the period attributable to:			
Shareholder of the Company	(112,593)	(11,814)	(124,407)
Non-controlling interests of subsidiaries	(11,632)	(2,358)	(13,990)

The effects of change in accounting policy described above on the Group's financial position as at 31 December 2015 and 1 January 2015 are as follows:

	As originally stated	Adjustments	As restated
	HK\$'000	HK\$'000	HK\$'000
Condensed consolidated statement of financial position as at 31 December 2015			
Vines	479,927	(479,927)	-
Properties, plant and equipment	1,129,781	391,594	1,521,375
Deferred tax assets	43,297	5,008	48,305
Deferred tax liabilities	(52,889)	4,003	(48,886)
Effects on net assets		(79,322)	
Translation reserves	(1,381,980)	2,536	(1,379,444)
Retained earnings	1,074,977	(66,055)	1,008,922
Non-controlling interests of subsidiaries	159,989	(15,803)	144,186
Effects on total equity		(79,322)	
Condensed consolidated statement of financial position as at 1 January 2015			
Vines	549,113	(549,113)	-
Properties, plant and equipment	1,136,213	549,113	1,685,326
Effects on net assets		-	

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	
	2016	2015
	HK\$'000	HK\$'000
Agriculture-related	1,019,989	1,067,187
Health	1,503,910	1,378,310
Investment	3,768	3,766
	<u>2,527,667</u>	<u>2,449,263</u>

B. Segment results

An analysis of the segment results is as follows:

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000 (Restated)
Segment results		
Agriculture-related	143,694	141,626
Health	268,127	208,504
Investment	(2,867)	59,477
	<u>408,954</u>	<u>409,607</u>
Research and development expenditure	(82,903)	(94,238)
Corporate expenses	(44,170)	(55,749)
Finance costs	(50,429)	(53,451)
Profit before taxation	<u>231,452</u>	<u>206,169</u>
Taxation	(39,976)	(26,787)
Profit for the period	<u>191,476</u>	<u>179,382</u>

4. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the six months ended 30 June 2016 amounted to HK\$503.8 million (2015: HK\$462.4 million) of which HK\$240.9 million (2015: HK\$218.2 million) relating to direct labor costs was included in cost of sales.

5. Taxation

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current tax		
Hong Kong	-	-
Other jurisdictions	53,027	33,928
Deferred tax		
Other jurisdictions	(13,051)	(7,141)
	<u>39,976</u>	<u>26,787</u>

Hong Kong profits tax has been provided at the rate of 16.5% of the estimated assessable profits. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. Profit for the Period

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period has been arrived at after crediting:		
Included in revenue:		
Rental income from investment properties	56,389	78,667
Included in other income, gains and losses:		
Interest income from bank deposits	1,682	1,758
Gain on disposal of available-for-sale investments	-	43,305
Net (loss)/gain on investments at fair value through profit or loss, and derivative financial instruments	(3,500)	41,679

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	
	2016	2015
	HK\$'000	HK\$'000 (Restated)
Profit for the period attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	187,419	178,666
Number of shares		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	9,611,073,000	9,611,073,000

Diluted earnings per share for the period ended 30 June 2016 and 2015 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 2016 (2015: Nil).

9. Investment Properties

	HK\$'000
Valuation	
At 1 January 2016	991,434
Additions	3,256
Disposal	(1,961)
Exchange differences	25,661
At 30 June 2016	1,018,390

10. Property, Plant and Equipment

	Land and building	Vines	Salt fields	Construction in progress	Laboratory instruments, plant and equipment	Furniture, fixtures and other assets	Leasehold improvement	Total
	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)
Cost or valuation								
At 1 January 2016	437,875	486,192	238,894	61,196	673,356	155,650	148,695	2,201,858
Additions	-	417	-	24,852	13,753	10,991	208	50,221
Reclassification	2,646	-	1,613	(23,721)	5,076	1,136	13,250	-
Disposals/write-off	-	(919)	-	-	(5,145)	(27,506)	(13,905)	(47,475)
Exchange differences	6,560	12,221	4,692	334	10,093	1,919	1,816	37,635
At 30 June 2016	447,081	497,911	245,199	62,661	697,133	142,190	150,064	2,242,239
Depreciation and impairment								
At 1 January 2016	26,945	94,598	-	-	364,156	129,458	65,326	680,483
Provided for the period	5,818	10,759	-	-	30,327	5,262	4,885	57,051
Elimination upon disposals/write-off	-	(873)	-	-	(4,385)	(27,310)	(13,905)	(46,473)
Exchange differences	488	2,048	-	-	4,721	1,503	408	9,168
At 30 June 2016	33,251	106,532	-	-	394,819	108,913	56,714	700,229
Carrying Values								
At 30 June 2016	413,830	391,379	245,199	62,661	302,314	33,277	93,350	1,542,010
At 31 December 2015	410,930	391,594	238,894	61,196	309,200	26,192	83,369	1,521,375

11. Intangible Assets

	Development costs	Patents	Goodwill	Trademarks	Customer relationship	Water rights	Other intangible assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost								
At 1 January 2016	405,674	140	2,792,777	98,547	373,430	190,063	9,166	3,869,797
Additions	-	-	-	-	-	-	94	94
Disposals/write-off	-	-	-	-	-	(1,919)	-	(1,919)
Exchange differences	13,663	3	29,615	4,934	4,541	3,733	227	56,716
At 30 June 2016	419,337	143	2,822,392	103,481	377,971	191,877	9,487	3,924,688
Amortisation and impairment								
At 1 January 2016	436	115	-	-	322,019	5,264	6,682	334,516
Provided for the period	-	-	-	-	10,118	-	158	10,276
Exchange differences	32	2	-	-	3,588	103	203	3,928
At 30 June 2016	468	117	-	-	335,725	5,367	7,043	348,720
Carrying values								
At 30 June 2016	418,869	26	2,822,392	103,481	42,246	186,510	2,444	3,575,968
At 31 December 2015	405,238	25	2,792,777	98,547	51,411	184,799	2,484	3,535,281

12. Receivables and Payables

The Group has a policy of allowing an average credit period of 0 to 90 days to its customers.

The ageing analysis of trade receivables and trade payables are as follows:

	As at 30 June 2016 <u>HK\$'000</u>	As at 31 December 2015 <u>HK\$'000</u>
Trade receivables		
0 - 90 days	942,426	888,405
Over 90 days	77,221	72,961
	<u>1,019,647</u>	<u>961,366</u>
Trade payables		
0 - 90 days	382,128	290,082
Over 90 days	10,581	15,822
	<u>392,709</u>	<u>305,904</u>

13. Cash and Cash Equivalents

	As at 30 June 2016 <u>HK\$'000</u>	As at 31 December 2015 <u>HK\$'000</u>
Bank balances and deposits	768,768	840,751
Bank overdrafts included in bank borrowings	(22,524)	(20,349)
	<u>746,244</u>	<u>820,402</u>

14. Bank Borrowings

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

15. Other Borrowings

These represent term loans of HK\$1,356.0 million obtained from certain substantial shareholders of the Company and their subsidiaries, which are unsecured, bearing interest with reference to Hong Kong Interbank Offered Rate plus margins ranging from 1.75% to 2.00% (2015: 1.75% to 2.00%) per annum, and with due date in February 2017. During the period, total interest expenses of HK\$14.0 million (2015: HK\$13.7million) were incurred for these shareholder loans.

16. Share Capital

	Number of share of HK\$0.1 each '000	Nominal value HK\$'000
Authorised At 31 December 2015 and 30 June 2016	<u>15,000,000</u>	<u>1,500,000</u>
Issued and fully paid At 31 December 2015 and 30 June 2016	<u>9,611,073</u>	<u>961,107</u>

17. Fair Value Measurement of Financial Instruments

Financial Instruments measured at fair value on a recurring basis

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
As at 30 June 2016				
Available-for-sale investments				
Equity securities – listed in Hong Kong	<u>37,256</u>	-	-	<u>37,256</u>
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	<u>22,522</u>	-	-	<u>22,522</u>
Derivative financial assets	-	<u>2,357</u>	-	<u>2,357</u>
Total	<u>22,522</u>	<u>2,357</u>	-	<u>24,879</u>
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	<u>2,105</u>	-	<u>2,105</u>
As at 31 December 2015				
Available-for-sale investments				
Equity securities – listed in Hong Kong	<u>44,707</u>	-	-	<u>44,707</u>
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	<u>25,041</u>	-	-	<u>25,041</u>
Derivative financial assets	-	<u>3,338</u>	-	<u>3,338</u>
Total	<u>25,041</u>	<u>3,338</u>	-	<u>28,379</u>
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	<u>2,707</u>	-	<u>2,707</u>

There were no transfers between Levels 1 and 2 during the six months ended 30 June 2016 and 2015.

Valuation techniques and inputs used in Level 2 fair value measurements

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

18. Related Party Transactions

In addition to the transactions and balances set out elsewhere in the notes to the condensed consolidated financial statements, the Group entered into the following transactions with related parties during the six months ended 30 June 2016:

- (i) The Group made sales of HK\$14.5 million (2015: HK\$13.3 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\$11.6 million (2015: HK\$9.4 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\$3.9 million (2015: HK\$5.9 million) were incurred.
- (iv) The Group made sales of HK\$38.7 million (2015: HK\$46.5 million) to and purchase of HK\$5.1 million (2015: HK\$12.7 million) from joint ventures of Cheetham Salt Limited, a wholly owned subsidiary of the Company during the period.

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

During the six months ended 30 June 2016, 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 2016. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board and the Chief Executive Officer.

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

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 26 June 2002 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Kwan Kai Cheong (Chairman of the Audit Committee), Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, 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 2016 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

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

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