



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 Report 2019



**Enhancing
Everyday Living**

This interim report 2019 (both English and Chinese versions) (“Interim Report”) has been posted on the Company’s website at www.ck-lifesciences.com. Shareholders who have chosen (or are deemed to have consented) to read the Company’s corporate communications (including but not limited to the Interim Report) published on the Company’s website in place of receiving printed copies thereof may request the printed copy of the Interim Report in writing to the Company c/o the Company’s Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong or by email to cklife.ecom@computershare.com.hk.

Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications using electronic means through the Company’s website and who for any reason have difficulty in receiving or gaining access to the Interim Report posted on the Company’s website will upon request in writing to the Company c/o the Company’s Branch Share Registrar or by email to cklife.ecom@computershare.com.hk promptly be sent the Interim Report in printed form free of charge.

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Shareholders who have chosen to receive printed copy of the corporate communications in either English or Chinese version will receive both English and Chinese versions of the Interim Report since both language versions are bound together into one booklet.

Contents

2	Corporate Information and Key Date
4	Chairman's Statement
7	Directors' Biographical Information
12	Financial Review
14	Condensed Consolidated Income Statement
15	Condensed Consolidated Statement of Comprehensive Income
16	Condensed Consolidated Statement of Financial Position
18	Condensed Consolidated Statement of Changes in Equity
19	Condensed Consolidated Statement of Cash Flows
20	Notes to the Condensed Consolidated Financial Statements
35	Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures
36	Interests and Short Positions of Shareholders
38	Corporate Governance
42	Other Information

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>
TOH Kean Meng, Melvin	<i>Vice President and Chief Scientific Officer</i>

Non-executive Directors

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

AUDIT COMMITTEE

KWAN Kai Cheong (*Chairman*)
Colin Stevens RUSSEL
Paul Joseph TIGHE

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

LI Tzar Kuoi, Victor (*Chairman*)
KAM Hing Lam
IP Tak Chuen, Edmond
YU Ying Choi, Alan Abel
TOH Kean Meng, Melvin
Peter Peace TULLOCH
KWOK Eva Lee
Colin Stevens RUSSEL
KWAN Kai Cheong
Paul Joseph TIGHE

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
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

KEY DATE

Interim Results Announcement 30 July 2019

Chairman's Statement

2019 FIRST HALF RESULTS

For the six months ended 30 June 2019, 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. The results were affected by the weakness of the Australian dollar exchange rate. Had the profit been reported in Australian dollars, profit attributable to shareholders would have been an increase of approximately 10% as compared to the corresponding period in 2018.

The Board of Directors has not declared any interim dividend for the period under review (2018: Nil).

AGRICULTURE-RELATED BUSINESS

CK Life Sciences' agriculture-related business consists of three main streams – (i) vineyard portfolio; (ii) Cheetham Salt Limited ("Cheetham"); and (iii) Australian Agribusiness (Holdings) Pty Ltd ("Australian Agribusiness").

The vineyard portfolio reported satisfactory revenue growth due to higher rental income. In December 2018, the Company completed the acquisition of the Nangiloc Colignan Farms, one of the largest table grapes and citrus farms in Australia. Backed by a long-term lease, the acquisition presented another stable source of revenue for the Company.

Cheetham, Australasia's leading producer and refiner of solar salt products, recorded satisfactory performance in the first half of 2019. In addition to continuing its established business within existing territories, Cheetham began tapping into the food grade salt market in the United States. Plans are in place to further strengthen export channels.

Australian Agribusiness, which comprises businesses in the manufacturing and marketing of agriculture-related products ranging from plant protection, home gardening, professional turf management to pest management and specialty agriculture, was adversely affected by continued drought conditions in Australia.

NUTRACEUTICAL BUSINESS

The Company's nutraceutical business comprises (i) Lipa Pharmaceuticals Limited ("Lipa") in Australia; (ii) Vitaquest International Holdings LLC ("Vitaquest") in the United States; as well as (iii) Santé Naturelle A.G. Ltée ("SNAG") in Canada.

A leading contract manufacturer of complementary healthcare medicines, vitamins, and nutritional supplements in Australia, Lipa delivered satisfactory performance despite unsteady conditions faced by customers both domestically and in export markets.

Chairman's Statement (Cont'd)

Vitaquest is a development and commercialisation company for the nutraceutical and functional food markets in the United States, providing a full suite of formulation, regulatory and manufacturing services. Earlier this year, it was awarded the FSSC 22000 Food Safety System Certification; the first company of its kind in the United States to attain such status. During the period under review, Vitaquest recorded good growth on the back of strong demand among key customers.

SNAG, one of the largest and longest established natural health companies in Québec, Canada, recorded a steady performance in the domestic market, and made good progress in diversifying coverage of new export markets.

PHARMACEUTICAL RESEARCH AND DEVELOPMENT

CK Life Sciences' pharmaceutical operations in Hong Kong, Canada and the United States of America are focused on conducting research & development into cancer vaccines and pain management.

Cancer Vaccines R&D

The Company's oncology R&D focus has been on harnessing the body's immune system for the treatment and prevention of cancer. Cancer immunotherapy has made great strides in recent years, with the approval of novel classes of drugs such as checkpoint inhibitors. The Company has been engaged in the research of cancer vaccines, as another approach to stimulating the immune system to fight cancer.

In this respect, our US subsidiary, Polynoma LLC ("Polynoma"), is developing a proprietary polyvalent therapeutic cancer vaccine (seviprotimut-L) for melanoma. Comprised of a combination of multiple melanoma-associated antigens, seviprotimut-L works by triggering the body's immune system to develop antibodies and antigen-specific T lymphocytes against melanoma cells, thereby delaying or preventing recurrence after surgical resection. An interim analysis of the ongoing MAVIS ("Melanoma Antigen Vaccine Immunotherapy Study") Phase III clinical trial, comparing seviprotimut-L with placebo for the adjuvant treatment of resected early-stage melanoma, has been performed and Polynoma is in the process of evaluating the data. A meeting with the US Food & Drug Administration (US FDA) is being planned to discuss the results and next steps. The global market of melanoma already exceeds US\$1 billion and is projected to continue exponential growth over the next 5 years. The Company believes seviprotimut-L presents a potential new form of cancer immunotherapy for melanoma which is much safer and more suited for early-stage patients than currently-available options.

Apart from seviprotimut-L for melanoma, the Company is working on cancer vaccines targeting other types of cancers and aims to progress these into clinical testing in the coming years.

Chairman's Statement (Cont'd)

Pain Management R&D

Despite many pain management options being available to patients, uncontrolled chronic pain remains a major unmet medical need globally. WEX Pharmaceuticals Inc. ("WEX Pharma"), our Canadian subsidiary, is developing an analgesic based on the puffer fish toxin, tetrodotoxin. WEX Pharma's product, Halneuron™, acts by blocking Na_v1.7 voltage-gated sodium channels and is potentially a first-in-class drug approved for the treatment of pain.

Halneuron™ is being researched as a platform pain management solution that can be used to address many different types of pain. As an initial indication, WEX Pharma is targeting Halneuron™ as a treatment for chemotherapy-induced neuropathic pain ("CINP"). The US FDA has allowed the start of a Phase III clinical trial of Halneuron™ for CINP under a Special Protocol Assessment (SPA) agreement. An SPA agreement facilitates discussions with the US FDA on product registration, by reducing uncertainty regarding the acceptability of the proposed clinical study design and analytical methods. There is currently no specific US FDA-approved medication for CINP; doctors often prescribe analgesics, including opioids, which have significant adverse effects and may not be efficacious.

Once demonstrated effective for CINP, Halneuron™ can be further evaluated for other more common types of pain; novel formulations and different routes of administration can also be researched. Market potential for new pain management solutions is significant.

Apart from cancer vaccines and pain management R&D, our in-house scientists in the Hong Kong head office are also actively engaged in evaluating new healthcare opportunities.

PROSPECTS

CK Life Sciences' diversified businesses have formed a good revenue generating base, and pharmaceutical research activities are progressing by stages. We are cautiously optimistic about the future prospects of the Company.

Coming up, as our R&D activities intensify, increased funding for such works is expected. The Company intends to continue to deploy appropriate funds to bring the R&D initiatives to fruition.

CK Life Sciences is uniquely positioned to benefit from the abundant capital resources and vast operating experience of the CK Group. In addition to pursuing organic growth, continuous efforts will be made to identify prudent strategic acquisitions when suitable opportunities arise.

I would like to thank our shareholders, Board of Directors and staff for their unfailing support that contributes to the growth of the Company.

Victor T K Li
Chairman

Hong Kong, 30 July 2019

Directors' Biographical Information

LI Tzar Kuoi, Victor

aged 54, has been the Chairman of the Company since 2002. He has been a member of the Remuneration Committee of the Company since March 2005 and the Chairman of the Nomination Committee of the Company since January 2019. Mr. Li is the Chairman and Group Co-Managing Director of CK Hutchison Holdings Limited, and the Chairman and Managing Director and the Chairman of the Executive Committee of CK Asset Holdings Limited. He is also the Chairman of CK 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. 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 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. 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. Li is the elder 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. Li 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)

KAM Hing Lam

aged 72, is the President and Chief Executive Officer of the Company responsible for overall strategic direction and key operating decisions. He has been a member of the Nomination Committee of the Company since January 2019. 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 Executive Committee Member of CK Asset Holdings Limited. He is also the Group Managing Director of CK 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 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.

IP Tak Chuen, Edmond

aged 67, is the Senior Vice President and Chief Investment Officer of the Company responsible for the investment activities of the Group. He has been a member of the Nomination Committee of the Company since January 2019. Mr. Ip joined the CK Group in 1993 and the Group in December 1999. He is Deputy Managing Director of CK Hutchison Holdings Limited, and Deputy Managing Director and Executive Committee Member of CK Asset Holdings Limited. He is also an Executive Director and Deputy Chairman of CK 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. 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 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)

YU Ying Choi, Alan Abel

aged 64, 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 has been a member of the Nomination Committee of the Company since January 2019. 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.

TOH Kean Meng, Melvin

aged 52, is the Vice President and Chief Scientific Officer of the Company responsible for the technology and product development activities of the Group. He has been a member of the Nomination Committee of the Company since January 2019. Dr. Toh joined the Group in January 2008 and was previously Vice President, Pharmaceutical Development, of the Company. He holds Bachelor of Medicine and Bachelor of Surgery degrees from the National University of Singapore and a Master of Science degree in Epidemiology from the University of London. He is registered with the Singapore Medical Council and the General Medical Council, United Kingdom. Dr. Toh has over 26 years of experience in clinical medicine and pharmaceutical research and development, and has held various management and scientific positions in Asia and the United States. Prior to joining the Group, Dr. Toh was Director of Clinical Pharmacology in Oncology Development, directing a team of scientists working on the clinical development of new cancer drugs for a leading pharmaceutical firm in the United States.

TULLOCH, Peter Peace

aged 75, has been a Non-executive Director of the Company since April 2002 and a member of the Nomination Committee of the Company since January 2019. Mr. Tulloch 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.

Directors' Biographical Information (Cont'd)

KWOK Eva Lee

aged 77, has been an Independent Non-executive Director of the Company since June 2002. She has been a member of the Remuneration Committee of the Company since January 2005 and the Chairman of the Remuneration Committee of the Company since January 2012. She has been a member of the Nomination Committee of the Company since January 2019. She acted as a member of the Audit Committee of the Company from June 2002 to June 2019. Mrs. Kwok currently serves as the Chair and Chief Executive Officer of Amara Holdings Inc. ("Amara"). She also acts as an Independent Director for Husky Energy Inc., an Independent Non-executive Director of CK 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 Nomination 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 of CK Infrastructure Holdings Limited, 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.

RUSSEL, Colin Stevens

aged 78, has been an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee of the Company since January 2005. He has been a member of the Nomination Committee of the Company since January 2019. Mr. Russel 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. He is also Managing Director of EMAS (HK) Limited. He is also an Independent Non-executive Director of CK Asset Holdings Limited, CK Infrastructure Holdings Limited and Husky Energy Inc., all being listed companies. Mr. Russel also holds directorships in certain companies controlled by a substantial shareholder 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.

Directors' Biographical Information (Cont'd)

KWAN Kai Cheong

aged 69, has been an Independent Non-executive Director of the Company since March 2015, the Chairman of the Audit Committee of the Company since May 2015 and a member of the Nomination Committee of the Company since January 2019. Mr. Kwan is Chairman of the Board of Utopa Limited, a commercial property operating company in China and President of Morrison & Company Limited, a business consultancy firm. 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 and Win Hanverky Holdings Limited 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 a substantial shareholder 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.

TIGHE, Paul Joseph

aged 63, has been an Independent Non-executive Director, a member of the Audit Committee and a member of the Nomination Committee of the Company since June 2019. Mr. Tighe is an independent Non-executive Director of CK Infrastructure Holdings Limited, a company listed in Hong Kong. Mr. Tighe is a former career diplomat with Australia's Department of Foreign Affairs and Trade. He has around 37 years of experience in government and public policy, including 28 years as a diplomat. He has served as Australian Consul-General to Hong Kong and Macau (from 2011 to 2016), Australian Ambassador to Greece, Bulgaria and Albania (from 2005 to 2008), Deputy Head of Mission and Permanent Representative to the United Nations' Economic and Social Commission for Asia and the Pacific at the Australian Embassy in Bangkok (from 1998 to 2001) and as Counsellor in the Australian Delegation to the Organisation for Economic Co-operation and Development in Paris (from 1991 to 1995). In between overseas assignments, Mr. Tighe has held several positions at the headquarters of the Department of Foreign Affairs and Trade in Canberra, including as head of the Department's Trade and Economic Policy Division, head of the Diplomatic Security, Information Management and Services Division, head of the Agriculture and Resources Branch and Director of the International Economic Analysis Section. Before joining the Department of Foreign Affairs and Trade, Mr. Tighe worked in the Overseas Economic Relations Division of the Australian Treasury (from 1986 to 1988), in the Secretariat of the Organisation for Economic Co-operation and Development in Paris (from 1984 to 1986) and in the Australian Industries Assistance Commission (from 1980 to 1984). He holds a Bachelor of Science degree from the University of New South Wales. Mr. Tighe holds directorship in a company controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Financial Review

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2019, the total assets of the Group were about HK\$10,444.9 million, of which bank balances and time deposits were about HK\$677.7 million and treasury investments were about HK\$140.5 million. The bank interest generated for the first six months of 2019 was HK\$3.9 million.

At the end of the period under review, the total liabilities of the Group were HK\$6,122.1 million, comprising bank and other borrowings amounted to HK\$4,807.6 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 2019 was HK\$74.8 million.

As at 30 June 2019, the net debt to net total capital ratio of the Group was approximately 48.86%, 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 and other borrowings) less cash, bank balances and time deposits.

The net asset value of the Group was HK\$0.45 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 2019, certain assets of the Group's subsidiary companies with a carrying value of HK\$845.3 million were pledged as part of the security for bank borrowings totalling HK\$315.6 million granted to the subsidiary companies.

MATERIAL ACQUISITIONS/DISPOSALS AND SIGNIFICANT INVESTMENTS

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

The Group has always been investing significantly in research and development activities. Such expenditure amounted to about HK\$40.3 million for the period ended 30 June 2019.

CAPITAL COMMITMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 30 June 2019, the total capital commitments by the Group amounted to HK\$144.5 million which were mainly made up of contracted/authorised commitments in respect of the acquisition and maintenance of vineyards and plant and equipment.

INFORMATION ON EMPLOYEES

The total number of full-time employees of the Group was 1,828 as at 30 June 2019, and is 45 more than the total headcount of 1,783 as at 30 June 2018. The total staff costs, including director's emoluments, amounted to approximately HK\$533.8 million for the six months ended 30 June 2019, which represents an increase of 7% as compared to the same period in 2018. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2018.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2019.

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Revenue	3	2,596,514	2,541,210
Cost of sales		(1,733,625)	(1,690,023)
		862,889	851,187
Other income, gains and losses		12,189	16,927
Staff costs	4	(276,905)	(261,147)
Depreciation		(43,943)	(26,870)
Amortisation of intangible assets		(3,592)	(3,233)
Other expenses		(268,723)	(305,386)
Finance costs		(74,777)	(57,186)
Share of results of joint venture		162	694
Profit before taxation		207,300	214,986
Taxation	5	(31,253)	(38,522)
Profit for the period	6	176,047	176,464
Attributable to:			
Shareholders of the Company		171,253	170,932
Non-controlling interests of subsidiaries		4,794	5,532
		176,047	176,464
Earnings per share	7		
– Basic		1.78 cents	1.78 cents
– Diluted		1.78 cents	1.78 cents

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Profit for the period	176,047	176,464
Other comprehensive expenses		
Item that will not be reclassified to profit or loss:		
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	–	(3,406)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	(124,988)	(136,266)
Other comprehensive expenses for the period	(124,988)	(139,672)
Total comprehensive income for the period	51,059	36,792
Attributable to:		
Shareholders of the Company	51,130	34,375
Non-controlling interests of subsidiaries	(71)	2,417
	51,059	36,792

Condensed Consolidated Statement of Financial Position

		As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
	Notes		
Non-current assets			
Investment properties	9	1,486,806	1,522,092
Property, plant and equipment	10	1,834,181	1,900,640
Intangible assets	11	3,572,186	3,592,236
Right-of-use assets	12	290,020	–
Interests in a joint venture		6,937	6,978
Equity investments		129,644	129,644
Deferred taxation		32,557	29,734
		7,352,331	7,181,324
Current assets			
Equity investments		10,889	11,585
Tax recoverable		15,361	10,404
Inventories		1,227,004	1,227,181
Receivables and prepayments	13	1,161,607	1,234,583
Bank balances and deposits		677,746	773,374
		3,092,607	3,257,127
Current liabilities			
Payables and accruals	13	(728,137)	(916,197)
Bank borrowings	14	(468,000)	(924,000)
Lease liabilities		(67,538)	–
Finance lease obligations		–	(303)
Taxation		(75,369)	(107,589)
		(1,339,044)	(1,948,089)
Net current assets		1,753,563	1,309,038
Total assets less current liabilities		9,105,894	8,490,362

Condensed Consolidated Statement of Financial Position (Cont'd)

		As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
	Notes		
Non-current liabilities			
Bank borrowings	14	(3,239,602)	(2,792,249)
Lease liabilities		(264,931)	–
Finance lease obligations		–	(344)
Other borrowings	15	(1,100,000)	(1,100,000)
Deferred taxation		(171,415)	(171,583)
Retirement benefit obligations		(7,118)	(6,343)
		(4,783,066)	(4,070,519)
Total net assets			
		4,322,828	4,419,843
Capital and reserves			
Share capital	16	961,107	961,107
Share premium and reserves		3,214,215	3,302,801
Equity attributable to shareholders of the Company			
		4,175,322	4,263,908
Non-controlling interests of subsidiaries		147,506	155,935
Total equity			
		4,322,828	4,419,843

Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company							Attributable to non-controlling interests of subsidiaries (unaudited) HK\$'000	Total (unaudited) HK\$'000
	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Investment at fair value through other comprehensive income reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Other reserves (unaudited) HK\$'000	Retained earnings (unaudited) HK\$'000	Sub-total (unaudited) HK\$'000		
2018									
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 of foreign operations	-	-	-	(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
Acquisition of additional 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
2019									
At 1 January 2019	961,107	3,570,879	(92,703)	(1,399,778)	(538,640)	1,763,043	4,263,908	155,935	4,419,843
Transitional adjustments on the initial application of HKFRS 16	-	-	-	-	-	(43,605)	(43,605)	-	(43,605)
Adjusted as at 1 January 2019	961,107	3,570,879	(92,703)	(1,399,778)	(538,640)	1,719,438	4,220,303	155,935	4,376,238
Profit for the period	-	-	-	-	-	171,253	171,253	4,794	176,047
Exchange differences arising from translation of foreign operations	-	-	-	(120,123)	-	-	(120,123)	(4,865)	(124,988)
Total comprehensive (expenses)/income for the period	-	-	-	(120,123)	-	171,253	51,130	(71)	51,059
Dividends paid to the shareholders of the Company – 2018 final dividend HK\$0.01 per share	-	(96,111)	-	-	-	-	(96,111)	-	(96,111)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(8,358)	(8,358)
At 30 June 2019	961,107	3,474,768	(92,703)	(1,519,901)	(538,640)	1,890,691	4,175,322	147,506	4,322,828

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2019	2018
	(unaudited) <i>HK\$'000</i>	(unaudited) <i>HK\$'000</i>
Net cash from operating activities	170,049	105,632
Net cash outflow from investing activities	(42,445)	(79,957)
Net cash outflow from financing activities	(214,898)	(2,355)
<hr/>		
(Decrease)/increase in cash and cash equivalents	(87,294)	23,320
Cash and cash equivalents at beginning of the period	773,374	1,037,772
Effect of foreign exchange rate changes	(8,334)	(8,440)
<hr/>		
Cash and cash equivalents at end of the period	677,746	1,052,652

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 2018 (the “2018 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 2018 Financial Statements. Except 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.

HKFRS 16 Leases (“HKFRS 16”)

HKFRS 16 Leases introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”) and the related interpretations upon the adoption of HKFRS 16 on 1 January 2019.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees, except for short-term leases and leases of low value assets.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The cost of right-of-use asset includes the amount of the initial measurement of the lease liability and any lease payment made at or before the commencement date, less any lease incentives received. Depreciation is recognised on a straight-line basis over the shorter of the asset’s useful life and the lease term.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

HKFRS 16 Leases ("HKFRS 16") (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentive receivable, and variable lease payments that depend on an index or a rate. The difference between the present value and the total remaining lease payments represents the cost of financing and will be recognised in the consolidated income statement in the period in which it is incurred using the effective interest method.

For the classification of cash flows, lease payments in relation to lease liability are allocated into a principal and an interest portion which are presented as financing cash flows by the Group.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and finance lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in the superseded HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As allowed by HKFRS 16, the Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain, leases which already existed prior to the date of initial application. Furthermore, the Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and recognised the cumulative effect of initial application to opening retained earnings as at 1 January 2019 without restating comparative information.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

HKFRS 16 Leases ("HKFRS 16") (cont'd)

The reconciliation of operating lease commitment to lease liabilities is set out below:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	203,980
Less: Recognition exemption – short-term leases	(645)
<hr/>	
Gross operating lease obligations at 1 January 2019	203,335
Discounting	(19,562)
<hr/>	
Lease liabilities discounted at relevant incremental borrowing rates at 1 January 2019	183,773
Add: Extension options reasonably certain to be exercised	170,428
<hr/>	
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	354,201
Add: Obligations under finance leases recognised at 31 December 2018	647
<hr/>	
Lease liabilities as at 1 January 2019	354,848
<hr/>	
Analysed as:	
Current	66,838
Non-current	288,010
<hr/>	
	354,848
<hr/>	

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

HKFRS 16 Leases ("HKFRS 16") (cont'd)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	310,596
Amounts included in property, plant and equipment under HKAS 17 – Assets previously under finance leases	810
	311,406
By class:	
Land and buildings	284,009
Plant and equipment	9,316
Furniture, fixtures and other assets	18,081
	311,406

The details of adjustments to opening retained earnings and other account balances as at 1 January 2019 are set out below:

	As originally stated <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	As adjusted <i>HK\$'000</i>
Condensed consolidated statement of financial position as at 1 January 2019			
Property, plant and equipment	1,900,640	(810)	1,899,830
Right-of-use assets	–	311,406	311,406
Finance lease obligations	(647)	647	–
Lease liabilities	–	(354,848)	(354,848)
Effects on net assets		(43,605)	
Retained earnings	1,763,043	(43,605)	1,719,438
Effects on total equity		(43,605)	

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

HKFRS 16 Leases ("HKFRS 16") (cont'd)

The effects of adoption of HKFRS 16 on the Group's financial performance for the six months ended 30 June 2019 are as follows:

	2019 HK\$'000
Condensed consolidated income statement	
Increase in depreciation	
– Included in cost of sales	(15,363)
– Others	(19,216)
Decrease in operating lease expenses	
– Included in cost of sales	18,400
– Others	21,212
Increase in finance costs	(4,411)
<hr/>	
Increase in profit for the period	622
<hr/>	
Increase in profit for the period attributable to shareholders of the Company	622
<hr/>	
Increase in earnings per share	
– Basic	– cent
– Diluted	– cent
<hr/>	
Condensed consolidated statement of comprehensive income	
Increase in profit for the period	622
Decrease in exchange loss arising from translation of foreign operations	341
<hr/>	
Increase in total comprehensive income for the period	963
<hr/>	
Increase in total comprehensive income for the period attributable to shareholders of the Company	963
<hr/>	
Condensed consolidated statement of cash flows	
Increase in net cash from operating activities	35,203
Increase in net cash outflow from financing activities	(35,203)
<hr/>	
Net change in cash and cash equivalents at the end of the period	–

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

3. REVENUE AND SEGMENT INFORMATION

Revenue represents net invoiced value of goods sold, after allowance for returns and trade discounts, as well as rental income and income from investments, and is analysed as follows:

A. Revenue

	For the six months ended 30 June	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sales of goods:		
Agriculture-related	929,126	1,095,350
Health	1,589,696	1,371,561
Revenue from contracts with customers	2,518,822	2,466,911
Rental income (included in agriculture-related segment)	77,239	73,933
Investment income	453	366
	2,596,514	2,541,210

Revenue from contracts with customers regarding the sale of goods is generally recognised at a point in time when the control of the goods underlying the particular performance obligation is transferred to the customers.

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	
	2019 HK\$'000	2018 HK\$'000
Segment results		
Agriculture-related	106,649	117,016
Health	265,863	246,340
	372,512	363,356
Unallocated other income, gains or losses	(13,062)	(18,124)
Research and development expenditure	(40,308)	(31,745)
Corporate expenses	(37,065)	(41,315)
Finance costs	(74,777)	(57,186)
	207,300	214,986
Profit before taxation	207,300	214,986
Taxation	(31,253)	(38,522)
	176,047	176,464
Profit for the period	176,047	176,464

4. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the six months ended 30 June 2019 amounted to HK\$533.8 million (2018: HK\$498.4 million) of which HK\$256.9 million (2018: HK\$237.3 million) relating to direct labor costs were included in cost of sales.

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

5. TAXATION

	For the six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Hong Kong	–	–
Other jurisdictions	29,944	35,842
Deferred tax		
Other jurisdictions	1,309	2,680
	31,253	38,522

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

6. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after crediting:		
Included in revenue:		
Rental income from investment properties	77,239	73,933
Included in other income, gains and losses:		
Interest income from bank deposits	3,902	4,515
Fair value loss on investments mandatorily measured at fair value through profit or loss	(697)	(3,505)

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 shareholders of the Company are based on the following data:

	For the six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Profit for the period attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	171,253	170,932
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 periods ended 30 June 2019 and 2018 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 2019 (2018: Nil).

9. INVESTMENT PROPERTIES

	HK\$'000
Valuation	
At 1 January 2019	1,522,092
Additions	7,382
Exchange differences	(42,668)
At 30 June 2019	1,486,806

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

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings 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
Cost or valuation								
At 1 January 2019	642,408	546,759	348,164	106,268	942,069	146,071	168,435	2,900,174
Transitional adjustments on the initial application of HKFRS 16	-	-	-	-	(1,102)	(341)	-	(1,443)
Adjusted as at 1 January 2019	642,408	546,759	348,164	106,268	940,967	145,730	168,435	2,898,731
Additions	1,124	369	-	28,724	3,852	4,700	1,418	40,187
Reclassification	527	-	1,692	(32,291)	28,799	1,273	-	-
Disposals/write-off	-	-	-	-	(67)	(996)	-	(1,063)
Exchange differences	(12,931)	(15,234)	(9,457)	(598)	(18,663)	(1,077)	(1,389)	(59,349)
At 30 June 2019	631,128	531,894	340,399	102,103	954,888	149,630	168,464	2,878,506
Depreciation and impairment								
At 1 January 2019	102,642	197,600	-	-	498,795	111,766	88,731	999,534
Transitional adjustments on the initial application of HKFRS 16	-	-	-	-	(543)	(90)	-	(633)
Adjusted as at 1 January 2019	102,642	197,600	-	-	498,252	111,676	88,731	998,901
Provided for the period	6,181	9,791	-	-	34,087	5,376	7,136	62,571
Eliminated upon disposals/ write-off	-	-	-	-	-	(996)	-	(996)
Exchange differences	(1,025)	(5,751)	-	-	(8,238)	(737)	(400)	(16,151)
At 30 June 2019	107,798	201,640	-	-	524,101	115,319	95,467	1,044,325
Carrying Values								
At 30 June 2019	523,330	330,254	340,399	102,103	430,787	34,311	72,997	1,834,181
At 31 December 2018	539,766	349,159	348,164	106,268	443,274	34,305	79,704	1,900,640

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

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
Cost								
At 1 January 2019	414,213	139	2,800,738	124,273	373,315	236,368	27,341	3,976,387
Additions	–	–	–	–	–	–	260	260
Exchange differences	3,416	(4)	(12,624)	(722)	(4,471)	(6,790)	(210)	(21,405)
At 30 June 2019	417,629	135	2,788,114	123,551	368,844	229,578	27,391	3,955,242
Amortisation and impairment								
At 1 January 2019	456	115	–	–	360,181	12,739	10,660	384,151
Provided for the period	–	–	–	–	2,059	–	1,533	3,592
Exchange differences	8	(3)	–	–	(4,137)	(366)	(189)	(4,687)
At 30 June 2019	464	112	–	–	358,103	12,373	12,004	383,056
Carrying values								
At 30 June 2019	417,165	23	2,788,114	123,551	10,741	217,205	15,387	3,572,186
At 31 December 2018	413,757	24	2,800,738	124,273	13,134	223,629	16,681	3,592,236

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

12. RIGHT-OF-USE ASSETS

	As at 30 June 2019 <i>HK\$'000</i>
Land and buildings	265,677
Plant and equipment	9,457
Furniture, fixtures and other assets	14,886
	290,020

13. RECEIVABLES AND PAYABLES

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

The ageing analysis of trade receivables and trade payables based on invoice dates is as follows:

	As at 30 June 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Trade receivables		
0-90 days	865,780	973,234
Over 90 days	100,456	70,844
	966,236	1,044,078
Trade payables		
0-90 days	288,226	346,805
Over 90 days	13,620	12,026
	301,846	358,831

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

14. BANK BORROWINGS

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

15. OTHER BORROWINGS

Included in other borrowings is a loan of 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 a margin of 1.05% per annum, and is due in February 2021. During the period, total interest expenses of HK\$6.7 million (2018: HK\$5.1 million) were incurred for this shareholder loan.

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

16. SHARE CAPITAL

	Number of share of HK\$0.1 each '000	Nominal value HK\$'000
Authorised		
At 31 December 2018 and 30 June 2019	15,000,000	1,500,000
Issued and fully paid		
At 31 December 2018 and 30 June 2019	9,611,073	961,107

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

17. 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>
As at 30 June 2019				
Financial assets designated at fair value through other comprehensive income				
Equity securities – listed in Hong Kong	10,644	–	–	10,644
Equity securities – unlisted investments	–	–	119,000	119,000
Total	10,644	–	119,000	129,644
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	10,889	–	–	10,889
As at 31 December 2018				
Financial assets designated at fair value through other comprehensive income				
Equity securities – listed in Hong Kong	10,644	–	–	10,644
Equity securities – unlisted investments	–	–	119,000	119,000
Total	10,644	–	119,000	129,644
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	11,585	–	–	11,585

There were no transfers between Levels 1 and 2, or transfers into or out of Level 3 during the six months ended 30 June 2019 and 2018.

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

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

Information about Level 3 fair value measurements

The fair value of the unlisted investments in level 3 is determined using a replacement cost method valuation technique which is based on the estimation of exit value of the investment.

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 2019:

- (i) The Group made sales of HK\$11.8 million (2018: HK\$12.0 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 made sales of HK\$1.2 million (2018: HK\$0.8 million) to a joint venture of Cheetham Salt Limited, a wholly owned subsidiary of the Company during the period.
- (iii) The Group leased certain properties from Leknarf Associates LLC ("Leknarf") which is a related company of a former director of a wholly owned subsidiary company, Vitaquest International Holdings LLC ("Vitaquest"). The leases no longer constituted as related party transactions upon the resignation of the former director of Vitaquest in January 2019. During the period ended 30 June 2018, the total rental payment by the Group to Leknarf amounted to HK\$12.1 million.
- (iv) During the period ended 30 June 2018, the Group had 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 was entitled to charge the Group with management fees calculated at certain agreed ratios on the total gross income, capital acquisition costs and total assets of certain subsidiaries. Management fees incurred for the period ended 30 June 2018 was HK\$3.3 million.

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

As at 30 June 2019, 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 Securities and Futures Ordinance ("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%
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 2019, 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 2019, 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 ("CKH"), CKH is deemed to be interested in the same number of shares which Gotak Limited is deemed to be interested under the SFO.
- iii. As CKH is wholly-owned by CK Hutchison Holdings Limited ("CK Hutchison"), CK Hutchison is deemed to be interested in the same number of shares which CKH 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 2019, 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 emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

The Company had applied the principles and complied with all code provisions (except as stated below) 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 2019. In respect of code provision A.5.1 of the CG Code, the Company established its nomination committee (“Nomination Committee”) on 1 January 2019 which comprises all Directors of the Company, and the Chairman of the Board is the Chairman of the Nomination Committee. When the need to select, nominate or re-elect Directors arises, a sub-committee will be established comprising members from the Nomination Committee in compliance with the requirements under the Listing Rules in relation to the composition of nomination committee. In respect of code provision A.6.7 of the CG Code, an Independent Non-executive Director was not in a position to attend the annual general meeting of the Company held on 16 May 2019 due to indisposition.

The Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the CG Code, the audit committee of the Company (“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 ten Directors, comprising five Executive Directors, one Non-executive Director and four Independent Non-executive Directors. More than 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 Independent Non-executive Directors without the presence of other 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 2019.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Human Resources 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 2019.

(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), Mr. Colin Stevens Russel and Mr. Paul Joseph Tighe. 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 2019 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. Victor T K Li, 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) NOMINATION COMMITTEE

The Company established its Nomination Committee on 1 January 2019 which comprises all the Directors of the Company, and the Chairman of the Board is the Chairman of the Nomination Committee. When the need to select, nominate or re-elect Directors arises, a sub-committee will be established comprising members from the Nomination Committee in compliance with the requirements under the Listing Rules in relation to the composition of nomination committee.

The responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills matrix of the Board and the needs of the Board and to make recommendations on any proposed changes to the Board to complement the Board to achieve the Group corporate strategy as well as promote shareholder value. It facilitates the Board in conducting the selection and nomination of Directors, and makes recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors. It also assesses the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules.

(7) 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 2019, 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

Trade tensions between the United States and certain major nations, change in tariffs and trade barriers, Brexit uncertainties, the fluctuation of the US dollar against major currencies around the world and the continuing geopolitical tensions create uncertainties in the world economy and global financial market. A 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 business, 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. There may be challenges in patient recruitment for the necessary trials, for example, in terms of the ability to recruit the necessary number of appropriate patients and the speed of enrollment to achieve the standard needed. There is no assurance of adequate funding to complete the trials required for regulatory approval. The regulatory authorities may also impose additional trials or other requirements before approval for commercial sale.

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 United Kingdom (“UK”) from the European Union (“EU”), 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 conditions.

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.

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.

Other Information (Cont'd)

Wine and Vineyard Market

The Group is among the largest vineyard owners 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 EU 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 Interim 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 merger and acquisition 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 merger and acquisition 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 acquisition 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.

Natural Disasters, Climate 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, drought, 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.

There can be no assurance that earthquakes, floods, drought 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.

Other Information (Cont'd)

Past Performance and Forward Looking Statements

The past performance and the results of operations of the Group 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.