



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)



Nutraceutical



Pharmaceutical



Agriculture-related

ENHANCING EVERYDAY LIVING

Interim Report 2020

This interim report 2020 (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.

Shareholders may at any time choose to change their choice as to the means of receipt (i.e. in printed form or by electronic means through the Company’s website) and/or the language of the Company’s corporate communications by reasonable prior notice in writing to the Company c/o the Company’s Branch Share Registrar or sending a notice to cklife.ecom@computershare.com.hk.

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
9	Directors' Biographical Information
15	Financial Review
17	Condensed Consolidated Income Statement
18	Condensed Consolidated Statement of Comprehensive Income
19	Condensed Consolidated Statement of Financial Position
21	Condensed Consolidated Statement of Changes in Equity
22	Condensed Consolidated Statement of Cash Flows
23	Notes to the Condensed Consolidated Financial Statements
33	Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures
34	Interests and Short Positions of Shareholders
36	Corporate Governance
40	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>
Donald Jeffrey ROBERTS	<i>Independent Non-executive Director</i>

AUDIT COMMITTEE

KWAN Kai Cheong (*Chairman*)
Paul Joseph TIGHE
Donald Jeffrey ROBERTS

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
Donald Jeffrey ROBERTS

COMPANY SECRETARY

Eirene YEUNG

AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond
Eirene YEUNG

COMPLIANCE OFFICER

YU Ying Choi, Alan Abel

CHIEF FINANCIAL OFFICER

MO Yiu Leung, Jerry

Corporate Information and Key Date (Cont'd)

PRINCIPAL BANKERS

Australia and New Zealand Banking
Group Limited
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 4 August 2020

Chairman's Statement

2020 FIRST HALF RESULTS

For the six months ended 30 June 2020, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") recorded unaudited profit attributable to shareholders of around HK\$87 million, a decrease of 49% from that of the corresponding period last year. The results were heavily affected by the COVID-19 pandemic.

The ongoing COVID-19 pandemic is having a widespread and significant impact on global commercial activities. CK Life Sciences' nutraceutical operations are variously located in the United States, Canada and Australia where the lockdown measures have been drastic and severe, including restrictions on movement beyond the home and closure of offices and retail outlets. Such restrictions have had a profound impact on the operations of the Company's nutraceutical businesses. Production came to a halt when technicians and workers were not able to report for duty, and production output of our nutraceutical products was drastically reduced. As a result, the financial contributions of our nutraceutical business dropped significantly in the first half of 2020.

The Board of Directors has not declared any interim dividend for the period under review (2019: Nil).

NUTRACEUTICAL BUSINESS

CK Life Sciences' nutraceutical business comprises (i) Vitaquest International Holdings LLC ("Vitaquest") in the United States; (ii) Santé Naturelle A.G. Ltée ("SNAG") in Canada; as well as (iii) Lipa Pharmaceuticals Limited ("Lipa") in Australia. Profit generated from the nutraceutical business segment decreased 29% over the first half of 2019.

Our three nutraceutical companies are located squarely in areas with high numbers of coronavirus cases that mandated strict lockdown measures. The flow of people and goods was heavily restricted, which hampered normal modes of operation. This dearth of manpower as well as disruptions in raw materials supply and logistics resulted in significant production downtime in the three companies.

Vitaquest's production facilities are located in the state of New Jersey, the northeastern part of the United States. In the early stages of the outbreak, New Jersey was among the top three places with the highest number of confirmed coronavirus cases. At the end of March, New Jersey issued a "Stay at Home" order, which prohibited state residents from leaving their home unless it was to obtain essential goods. As many staff members were unable to report for duty for various reasons, the high staff absenteeism resulted in a drastic reduction in the output of Vitaquest, and the company reported an operating loss in April. The "Stay at Home" order was lifted in early June, and Vitaquest's operations are gradually returning to normal levels.

Chairman's Statement (Cont'd)

SNAG is one of the largest and longest established natural health companies in Québec, Canada. The number of confirmed coronavirus cases in Québec was the highest in Canada. In March, the Premier put the province on a partial lockdown. Consequently, not only was production interrupted, consumer demand was curtailed as retail outlets closed. Although demand for immunity-related nutraceutical products increased amidst the risk of pandemic, SNAG recorded a downturn in domestic retail performance as people were home-bound. Lockdown measures also restricted the staff's ability to get to work. In mid-June, Québec businesses re-opened and services resumed. Production has re-commenced and it is envisaged that sales will pick up as lockdown measures are eased.

Lipa, one of the largest contract manufacturers of complementary healthcare medicines, vitamins, and nutritional supplements in Australia, is located in New South Wales, the state which recorded the highest number of confirmed COVID-19 cases in Australia during the period under review. Industries in the state have been under the coronavirus lockdown since the end of March. Citizens were not allowed to leave home except for a list of reasons prescribed by the state government. Labour and material shortages reduced production and diminished Lipa's ability to fulfill orders. Sharp increases in material and freight costs driven by COVID-19 also impacted margins. Currently, Lipa's production is ramping up closer to normal levels with enhanced safety practices and in accordance with other government directives related to COVID-19.

AGRICULTURE-RELATED BUSINESS

In the first half of 2020, despite the COVID-19 disruptions, agriculture-related business recorded an increase of 4% in profit as compared to the same period last year.

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

Australian Agribusiness comprises businesses in the manufacturing, wholesale and retail of agriculture-related products. COVID-19 lockdown measures severely restricted activities in the professional turf and pest management markets, affecting sales performance in these two sectors. One positive impetus to the company is that the catastrophic bushfires which ravaged Australia towards the end of 2019 abated in February. Rain provided relief to the severe drought conditions gripping the agricultural industry and improved sales in the plant protection and nutrition sectors.

Cheetham and the vineyard portfolio have been relatively unaffected by the COVID-19 disruption.

Cheetham was able to maintain operations and recorded a steady performance, continuing to supply value-added salt products to protect its market position in Australasia.

Chairman's Statement (Cont'd)

The 520-hectare Wilga Road Vineyard, acquired in 2019, provided additional revenue in the Company's vineyard portfolio. A stable and recurrent cashflow was generated from the vineyard investments during the period under review.

PHARMACEUTICAL RESEARCH AND DEVELOPMENT

CK Life Sciences' pharmaceutical operations conduct research and development in cancer vaccines and pain management in Hong Kong, Canada and the United States.

Cancer Vaccines R&D

The Company engages in the research of cancer vaccines which stimulate the immune system to fight cancer. Our US subsidiary, Polynoma LLC ("Polynoma"), is developing a proprietary polyvalent therapeutic cancer vaccine (seviprotimut-L) for melanoma. Comprising 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.

In the first half of 2020, the Company reached two milestones in its melanoma vaccine research:

(i) Updated Data Analysis Reinforced Initial Findings

An updated data analysis was carried out earlier this year, and the results were presented at a large-scale medical conference, the American Society of Clinical Oncology (ASCO)'s ASCO20 Virtual Scientific Program in May 2020. The updated analysis reinforced the initial findings from the data analysis performed last year, with subgroup analysis suggesting enhanced recurrence-free survival (RFS) for seviprotimut-L among those with Stage IIB/IIC melanoma, and those under the age of 60. Seviprotimut-L was well-tolerated with treatment-emergent adverse events (AEs) similar to patients given placebo.

(ii) Fast Track Designation Granted

In the second quarter, Polynoma was granted Fast Track designation by the US Food and Drug Administration (US FDA) for seviprotimut-L for the adjuvant treatment of post-resection Stage IIB/IIC melanoma patients to improve recurrence-free survival. Fast Track is designed to facilitate the development and expedite the review of drugs that treat serious or life-threatening conditions as well as fill an unmet medical need. Benefits of Fast Track designation include more frequent communication with the US FDA, a rolling submission of the marketing application, and eligibility for Priority Review and Accelerated Approval, if the relevant criteria are met. We are very encouraged by the development.

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

Chairman's Statement (Cont'd)

Pain Management R&D

WEX Pharmaceuticals Inc. ("WEX Pharma"), our Canadian subsidiary, is developing Halneuron™, an analgesic based on the puffer fish toxin, tetrodotoxin. The US FDA has greenlighted the start of a Phase III clinical trial of Halneuron™ for chemotherapy-induced neuropathic pain ("CINP") under a Special Protocol Assessment (SPA) agreement. The 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. At the same time, commencement of the Phase III clinical trial has been approved by Health Canada.

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. The product is being researched as a pain management solution that can be used to address many different types of pain. As an initial indication, WEX Pharma is targeting Halneuron™ to be a treatment for CINP. 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.

As uncontrolled chronic pain is a major unmet medical need globally, the market potential for new pain management solutions is significant.

The expenditure for the above R&D projects is incurred on a continuous basis. In accordance with our accounting policy, such expenditure is recognised as an expense in the period in which it is incurred.

SUPPORTING THE FIGHT AGAINST THE COVID-19 PANDEMIC

As COVID-19 developed into a pandemic, CK Life Sciences has been working with its network of pharmaceutical companies and research institutes to explore solutions to combat the pandemic. Agreements were signed for the distribution of an RT-PCR diagnostic kit and a serology-based rapid detection kit developed in Singapore. Efforts will continue with our international network of contacts to investigate other opportunities to alleviate the impact of COVID-19.

PROSPECTS

The Company's 2020 interim results were adversely affected by the unprecedented global pandemic. Recovery of our operations will depend on the containment of the outbreak. Nonetheless, the Company's business fundamentals remain intact amidst the pandemic, and the diversified nature of our investment portfolio supports the advancement of pharmaceutical research activities.

As various parts of the world ease their lockdown restrictions, and commercial operations gradually resume, the Company's businesses are picking up. We expect the rebound to be on track if the path to normality is smooth.

Chairman's Statement (Cont'd)

Due to the fact that our nutraceutical operations are located in specific areas with high rates of infection, our business activities, including manufacturing, experienced a temporary disruption. Despite the challenges, there is no long-term damage to the nutraceutical business and its overall outlook remains promising. As the world continues to face the threat of infectious diseases, consumers are expected to become more health-conscious, driving up demand for health supplements.

At the same time, the Company's agriculture-related businesses will continue to be stable. As the climate conditions in Australia continues to improve, Australian Agribusiness will benefit from increased rainfall and a break in the drought.

Progress being made by Polynoma on the pharmaceutical R&D front is very encouraging. The recently granted US FDA Fast Track designation of seviprotimut-L not only expedites the research process, but also further validates seviprotimut-L as a new and potentially important cancer vaccine for localised melanoma.

We are committed to bringing the R&D initiatives to fruition, and are proactively reviewing deployment of appropriate funding to move progressively towards this goal.

I would like to take this opportunity to thank members of the Board for their ongoing guidance, our valued staff for their significant contributions and our stakeholders for their continued support. In particular, I would like to extend my utmost gratitude to our frontline employees who have been battling through enormous difficulties to ensure that the Company's services are maintained during this extraordinary period.

Victor T K Li
Chairman

Hong Kong, 4 August 2020

Directors' Biographical Information

LI Tzar Kuoi, Victor

aged 56, 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 and Li Ka Shing (Global) Foundation, the Member Deputy Chairman of 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 a degree of 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 73, 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 68, 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 65, 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 and is a fellow member of The Hong Kong Institute of Directors. Mr. Yu has held a number of positions in the consumer finance, food and fast-moving consumer goods sectors in Asia and Australasia. Prior to joining the Group in 2000, he was Worldwide Vice President in a leading US diversified healthcare multinational corporation.

TOH Kean Meng, Melvin

aged 53, 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 27 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 76, 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 78, 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 79, has been an Independent Non-executive Director 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. He acted as a member of the Audit Committee of the Company from January 2005 to July 2020. 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 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. 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 70, 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 GT Land Holdings Limited, a commercial property company in China and Managing Director 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 64, 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.

Directors' Biographical Information (Cont'd)

ROBERTS, Donald Jeffrey

aged 69, has been an Independent Non-executive Director, a member of the Audit Committee and a member of the Nomination Committee of the Company since July 2020. He is an Independent Non-executive Director of CK Asset Holdings Limited (listed in Hong Kong); an Independent Non-executive Director of HK Electric Investments Manager Limited, which is the trustee-manager of HK Electric Investments ("HKEI"), and HK Electric Investments Limited, a company listed together with HKEI in Hong Kong; and an Independent Non-executive Director of Queen's Road Capital Investment Ltd. (listed in Canada). He is also a Director of The Hongkong Electric Company, Limited, and an Independent Non-executive Director of Welab Bank Limited and Welab Capital Limited. He joined the Hutchison Whampoa Limited ("HWL") Group in 1988 and was the Group Deputy Chief Financial Officer of HWL from 2000 until his retirement in 2011. Mr. Roberts was a Member of the Listing Committee of the Main Board and GEM of The Stock Exchange of Hong Kong Limited from July 2015 to July 2020. He was previously a member of the Executive Committee of The Canadian Chamber of Commerce (the "Chamber") in Hong Kong and is currently Governor of the Chamber. He was previously served as a Governor of the Canadian International School of Hong Kong for the periods between 1998 to 2004, and between 2006 to 2012, and also a member on its Finance & Administration Committee. Mr. Roberts served as a member, including as the Deputy Chairman, of the Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants ("HKICPA") for 9 years. Mr. Roberts holds a Bachelor of Commerce degree. He is a Chartered Accountant with the Chartered Professional Accountants of Canada, Alberta and British Columbia, and also a Fellow of the HKICPA.

Financial Review

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2020, the total assets of the Group were about HK\$10,728.0 million, of which bank balances and time deposits were about HK\$596.4 million and treasury investments were about HK\$13.2 million. The bank interest generated for the first six months of 2020 was HK\$0.8 million.

At the end of the period under review, the total liabilities of the Group were HK\$6,617.5 million, comprising bank and other borrowings amounted to HK\$5,336.7 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. The total interest expenses on bank and other borrowings of the Group for the six months ended 30 June 2020 were HK\$68.3 million.

As at 30 June 2020, the net debt to net total capital ratio of the Group was approximately 53.56%, 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\$0.43 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.

The Group's treasury investments are denominated in Hong Kong dollars, and thus there is no exchange rate risk associated with such investments. 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 2020, certain assets of the Group's subsidiary companies with a carrying value of HK\$920.9 million were pledged as part of the security for bank borrowings totalling HK\$310.7 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\$49.7 million for the period ended 30 June 2020.

Financial Review (Cont'd)

CAPITAL COMMITMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 30 June 2020, the total capital commitments by the Group amounted to HK\$49.3 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and equipment, and maintenance of vineyards.

INFORMATION ON EMPLOYEES

The total number of full-time employees of the Group was 1,773 as at 30 June 2020, and is 55 less than the total headcount of 1,828 as at 30 June 2019. The total staff costs, including director's emoluments, amounted to approximately HK\$500.6 million for the six months ended 30 June 2020, which represents a decrease of 6% as compared to the same period in 2019. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2019.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2020.

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue	3	2,379,530	2,596,514
Cost of sales		(1,620,376)	(1,733,625)
		759,154	862,889
Other income, gains and losses		(730)	(7,035)
Staff costs	4	(264,899)	(276,905)
Depreciation		(47,448)	(43,943)
Amortisation of intangible assets		(3,432)	(3,592)
Other expenses		(240,362)	(249,499)
Finance costs		(76,285)	(74,777)
Share of results of a joint venture		952	162
Profit before taxation		126,950	207,300
Taxation	5	(39,509)	(31,253)
Profit for the period	6	87,441	176,047
Attributable to:			
Shareholders of the Company		87,441	171,253
Non-controlling interests of subsidiaries		–	4,794
		87,441	176,047
Earnings per share	7		
– Basic		0.91 cents	1.78 cents
– Diluted		0.91 cents	1.78 cents

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Profit for the period	87,441	176,047
Other comprehensive expenses		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	(55,553)	(124,988)
Other comprehensive expenses for the period	(55,553)	(124,988)
Total comprehensive income for the period	31,888	51,059
Attributable to:		
Shareholders of the Company	31,888	51,130
Non-controlling interests of subsidiaries	–	(71)
	31,888	51,059

Condensed Consolidated Statement of Financial Position

		As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
	Notes		
Non-current assets			
Investment properties	9	1,686,615	1,673,043
Property, plant and equipment	10	2,008,869	1,916,982
Right-of-use assets	11	410,471	431,756
Intangible assets	12	3,618,274	3,596,805
Interests in a joint venture		6,106	5,114
Deferred taxation		43,198	44,643
		7,773,533	7,668,343
Current assets			
Equity investments		13,153	16,636
Tax recoverable		26,555	25,966
Inventories		1,214,513	1,182,651
Receivables and prepayments	13	1,103,817	1,124,491
Bank balances and deposits		596,448	696,504
		2,954,486	3,046,248
Current liabilities			
Payables and accruals	13	(515,531)	(667,170)
Bank borrowings	14	(2,310,730)	(2,782,428)
Lease liabilities		(79,098)	(74,725)
Other borrowings	15	(1,100,000)	–
Taxation		(65,594)	(51,117)
		(4,070,953)	(3,575,440)
Net current liabilities		(1,116,467)	(529,192)
Total assets less current liabilities		6,657,066	7,139,151

Condensed Consolidated Statement of Financial Position (Cont'd)

	Notes	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Non-current liabilities			
Bank borrowings	14	(1,926,000)	(1,224,000)
Lease liabilities		(428,095)	(449,477)
Other borrowings	15	–	(1,100,000)
Deferred taxation		(183,383)	(182,521)
Retirement benefit obligations		(9,061)	(8,403)
		(2,546,539)	(2,964,401)
Total net assets		4,110,527	4,174,750
Capital and reserves			
Share capital	16	961,107	961,107
Share premium and reserves		3,152,154	3,216,377
Equity attributable to shareholders of the Company			
Non-controlling interests of a subsidiary		4,113,261	4,177,484
		(2,734)	(2,734)
Total equity		4,110,527	4,174,750

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		
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
2020									
At 1 January 2020	961,107	3,474,768	(103,347)	(1,519,346)	(536,255)	1,900,557	4,177,484	(2,734)	4,174,750
Profit for the period	-	-	-	-	-	87,441	87,441	-	87,441
Exchange differences arising from translation of foreign operations	-	-	-	(55,553)	-	-	(55,553)	-	(55,553)
Total comprehensive (expenses)/income for the period	-	-	-	(55,553)	-	87,441	31,888	-	31,888
Dividends paid to the shareholders of the Company – 2019 final dividend HK\$0.01 per share	-	(96,111)	-	-	-	-	(96,111)	-	(96,111)
At 30 June 2020	961,107	3,378,657	(103,347)	(1,574,899)	(536,255)	1,987,998	4,113,261	(2,734)	4,110,527

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2020	2019
	(unaudited) <i>HK\$'000</i>	(unaudited) <i>HK\$'000</i>
Net cash from operating activities	125,766	170,049
Net cash outflow from investing activities	(239,057)	(42,445)
Net cash inflow/(outflow) from financing activities	20,532	(214,898)
Decrease in cash and cash equivalents	(92,759)	(87,294)
Cash and cash equivalents at beginning of the period	696,504	773,374
Effect of foreign exchange rate changes	(7,297)	(8,334)
Cash and cash equivalents at end of the period	596,448	677,746

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 2019 (the “2019 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 2019 Financial Statements. The adoption of such new and revised HKFRSs has no material impact on the accounting policies in the Group’s interim financial statements for the period.

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	
	2020 HK\$'000	2019 HK\$'000
Sales of goods:		
Agriculture-related	922,936	929,126
Health	1,378,053	1,589,696
Revenue from contracts with customers	2,300,989	2,518,822
Rental income (included in agriculture-related segment)	77,635	77,239
Investment income	906	453
	2,379,530	2,596,514

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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment results		
Agriculture-related	110,624	106,649
Health	187,548	265,863
	298,172	372,512
Unallocated other income, gains or losses	(6,335)	(13,062)
Research and development expenditure	(49,685)	(40,308)
Corporate expenses	(38,917)	(37,065)
Finance costs	(76,285)	(74,777)
Profit before taxation	126,950	207,300
Taxation	(39,509)	(31,253)
Profit for the period	87,441	176,047

4. STAFF COSTS

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the six months ended 30 June 2020 amounted to HK\$500.6 million (2019: HK\$533.8 million) of which HK\$235.7 million (2019: HK\$256.9 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	
	2020	2019
	HK\$'000	HK\$'000
Current tax		
Hong Kong	–	–
Other jurisdictions	36,683	29,944
Deferred tax		
Other jurisdictions	2,826	1,309
	39,509	31,253

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	
	2020	2019
	HK\$'000	HK\$'000
Profit for the period has been arrived at after crediting:		
Included in revenue:		
Rental income from investment properties	77,635	77,239
Included in other income, gains and losses:		
Interest income from bank deposits	844	3,902
Fair value loss on investments mandatorily measured at fair value through profit or loss	(3,483)	(697)

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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the period attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	87,441	171,253
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 2020 and 2019 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 2020 (2019: Nil).

9. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
Valuation	
At 1 January 2020	1,673,043
Additions	27,362
Exchange differences	(13,790)
At 30 June 2020	1,686,615

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 2020	607,401	575,859	407,679	118,881	981,245	154,312	169,320	3,014,697
Additions	–	30,618	461	120,274	14,392	4,324	70	170,139
Reclassification	3,047	–	139	(20,131)	12,971	3,683	291	–
Disposals/write-off	–	–	–	–	(916)	(418)	–	(1,334)
Exchange differences	(3,895)	(5,058)	(3,302)	964	(6,541)	(286)	(525)	(18,643)
At 30 June 2020	606,553	601,419	404,977	219,988	1,001,151	161,615	169,156	3,164,859
Depreciation and impairment								
At 1 January 2020	100,993	236,195	–	–	538,692	119,653	102,182	1,097,715
Provided for the period	5,946	11,391	–	–	31,630	5,906	6,691	61,564
Eliminated upon disposals/write-off	–	–	–	–	(551)	(269)	–	(820)
Exchange differences	(10)	(1,267)	–	–	(814)	(95)	(283)	(2,469)
At 30 June 2020	106,929	246,319	–	–	568,957	125,195	108,590	1,155,990
Carrying values								
At 30 June 2020	499,624	355,100	404,977	219,988	432,194	36,420	60,566	2,008,869
At 31 December 2019	506,408	339,664	407,679	118,881	442,553	34,659	67,138	1,916,982

11. RIGHT-OF-USE ASSETS

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Land and buildings	391,049	411,348
Machinery and equipment	8,454	7,449
Furniture, fixtures and other assets	10,968	12,959
	410,471	431,756

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

12. INTANGIBLE ASSETS

	Development costs HK\$'000	Patents HK\$'000	Goodwill HK\$'000	Brand name and trademarks HK\$'000	Customer relationships HK\$'000	Water rights HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
Cost								
At 1 January 2020	418,653	134	2,786,249	123,595	368,041	260,585	28,237	3,985,494
Additions	-	-	-	-	-	43,312	-	43,312
Exchange differences	(7,514)	-	(10,894)	(2,829)	(988)	3,286	(478)	(19,417)
At 30 June 2020	411,139	134	2,775,355	120,766	367,053	307,183	27,759	4,009,389
Amortisation and impairment								
At 1 January 2020	466	111	-	-	359,362	15,296	13,454	388,689
Provided for the period	-	-	-	-	1,890	-	1,542	3,432
Exchange differences	(17)	-	-	-	(862)	(28)	(99)	(1,006)
At 30 June 2020	449	111	-	-	360,390	15,268	14,897	391,115
Carrying values								
At 30 June 2020	410,690	23	2,775,355	120,766	6,663	291,915	12,862	3,618,274
At 31 December 2019	418,187	23	2,786,249	123,595	8,679	245,289	14,783	3,596,805

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

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 2020 HK\$'000	As at 31 December 2019 HK\$'000
Trade receivables		
0-90 days	769,268	815,428
Over 90 days	149,348	124,231
	918,616	939,659
Trade payables		
0-90 days	180,921	225,559
Over 90 days	5,118	33,803
	186,039	259,362

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\$6.6 million (2019: HK\$6.7 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.

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

16. SHARE CAPITAL

	Number of share of HK\$0.1 each '000	Nominal value HK\$'000
Authorised		
At 31 December 2019 and 30 June 2020	15,000,000	1,500,000
Issued and fully paid		
At 31 December 2019 and 30 June 2020	9,611,073	961,107

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value on a recurring basis

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2020				
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	13,153	–	–	13,153
As at 31 December 2019				
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	16,636	–	–	16,636

There were no transfers between Levels 1 and 2, or transfers into or out of Level 3 during the six months ended 30 June 2020 and 2019.

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

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 2020:

- (i) The Group made sales of HK\$12.2 million (2019: HK\$11.8 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\$2.1 million (2019: HK\$1.2 million) to a joint venture of Cheetham Salt Limited, a wholly owned subsidiary of the Company during the period.

19. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified from other expenses to other income, gains and losses amounting to HK\$19,224,000 to conform to the presentation in current period.

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

As at 30 June 2020, 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 2020, 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 2020, 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 2020, 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 2020.

In accordance with code provision A.5.1 of the CG Code, the Company established its nomination committee (“Nomination Committee”) on 1 January 2019 which is chaired by the Chairman of the Board. When the need to select, nominate or re-elect Directors arises, the Nomination Committee will establish a sub-committee comprising a majority of Independent Non-executive Directors that is chaired by the Chairman of the Board in compliance with the requirements under the Listing Rules in relation to the composition of the nomination committee to consider and if appropriate, recommend the nomination of Director to be appointed or re-elected. While the Nomination Committee comprises all Directors of the Company, this is consistent with the established approach of the Company that the full Board as a whole is responsible for reviewing the selection and appointment of Directors.

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 also established the Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing for compliance by the Company’s employees.

Corporate Governance (Cont'd)

(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 eleven Directors, comprising five Executive Directors, one Non-executive Director and five 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 relevant Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2020.

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, operational and compliance controls review 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 2020.

(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. Paul Joseph Tighe and Mr. Donald Jeffrey Roberts. 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 2020 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 is chaired by the Chairman of the Board. When the need to select, nominate or re-elect Directors arises, the Nomination Committee will establish a sub-committee comprising a majority of Independent Non-executive Directors that is chaired by the Chairman of the Board in compliance with the requirements under the Listing Rules in relation to the composition of nomination committee to consider and if appropriate, recommend the nomination of Director to be appointed or re-elected. While the Nomination Committee comprises all Directors of the Company, this is consistent with the established approach of the Company that the full Board as a whole is responsible for reviewing the selection and appointment of Directors.

The principal responsibilities of the Nomination Committee include reviewing the structure, size, diversity profile and skills matrix of the Board and independence of the Independent Non-executive Directors and making recommendation on the re-election of Directors for the Board's consideration.

(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, where applicable, 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 2020, 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

The ongoing COVID-19 pandemic and associated community shutdowns have a widespread and severe impact on worldwide economic activity. The uncertainties arising from the pandemic, including the length of the pandemic and the extent of production and business disruptions, may significantly worsen the outlook of global economy. Escalating protectionism as reflected in the trade frictions between the United States and certain major nations, Brexit uncertainties, the fluctuation of the US dollar against major currencies around the world, the increasing geopolitical tensions as well as the volatility of global oil prices, all have created uncertainties in the world economy and global financial market. A severe 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.

Outbreak of Highly Contagious Disease

The continuing COVID-19 pandemic in different parts of the world, including the places of businesses at which the Group operates, has a significant adverse impact on most economies due to the community standstill, disruption of business activities, behavioral changes, weakened sentiment in consumption, restricted labour supply and production and confidence effects. As the situation of the highly infectious disease is still evolving, the heightened uncertainties surrounding the pandemic may pose a negative impact on the Group's businesses, financial conditions, results of operations or growth prospects. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease, and if such an outbreak were to occur, it may have an adverse impact on the operations of the Group and its results of operations may suffer.

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.

Other Information (Cont'd)

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.

Industry Trends and Interest Rates

The trends in the industries in which the Group operates, including market sentiment and conditions, 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.

Other Information (Cont'd)

Impact of Local, National and International Regulations

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

Compliance with Personal Data Protection Legislation

In the ordinary course of its operations, various businesses of the Group collect, store and use data that is protected by personal data protection laws in the different countries in which they operate. As regulatory focus on privacy issue continues to increase and worldwide laws and regulations concerning the handling of personal information expand and become more complex, potential risks related to personal data collection and use within the Group's businesses are expected to intensify.

In the event that any relevant business of the Group is unable to meet its obligations under applicable data protection laws, it may be subject to regulatory action or civil claims. The cost of regulatory or legal action, and any monetary and/or reputational damage suffered as a result of such action, could have a material adverse effect on the Group's financial conditions and results of operations.

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 United Kingdom ("UK"). The exit of the UK from the European Union may have adverse effects on the tenants' businesses. Furthermore, the market value of the vineyard portfolio is subject to currency fluctuations which may impact on the Group's income or financial position.

Social Incidents and Terrorist Threat

The Group is a diversified company with businesses in Asia, Australasia and North America. In recent years, a series of social incidents and terrorist activities occurred across the globe that resulted in economic losses, multiple deaths and casualties. There can be no assurance that countries in which the Group operates will not have any social incidents or they will be immune from terrorist threat, and if these events occur, it may have an adverse impact on the Group's businesses, financial conditions, results of operations or growth prospects.

Impact of New Accounting Standards

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

Connected Transactions

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

Mergers and Acquisitions

The Group has undertaken merger and acquisition activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. In pursuit of new business opportunities, the Group is experiencing more intense competition where competing bidders are more aggressive in the valuation of the assets on the back of abundant market liquidity and lower return requirements. The pressure to deploy capital has been significant. Although due diligence and detailed analysis are conducted before merger and acquisition activities are 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 Group 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 Group 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 Group may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level. The Group may also need to face different cultural issues when dealing with local employees, customers, governmental authorities and pressure groups.

Other Information (Cont'd)

Natural Disasters, 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 disasters and the occurrence of any of these disasters 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.

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. Furthermore, on-going climate change may trigger off serious natural events like drought and bushfires that may destroy or damage the Group's assets such as land and vineyards.

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

Past Performance and Forward Looking Statements

The 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.