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**CK Life Sciences Int'l., (Holdings) Inc.**

長江生命科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0775)

**INTERIM RESULTS FOR 2013**

**2013 FIRST HALF RESULTS**

<u>HK\$ Million</u>	<u>1H 2013</u>	<u>1H 2012</u>	<u>Variance</u>
Turnover	<b>2,481.2</b>	2,296.1	+8%
Agriculture-related	<b>965.4</b>	807.2	+20%
Health	<b>1,512.0</b>	1,482.9	+2%
Investment	<b>3.8</b>	6.0	-37%
Profit attributable to shareholders	<b>139.9</b>	115.6	+21%

CK Life Sciences Int'l., (Holdings) Inc. (“CK Life Sciences” or the “Company”) achieved a pleasing performance during the first half of 2013.

For the six months ended 30 June 2013, profit attributable to shareholders was HK\$139.9 million, an increase of 21% over the same period last year.

The Company’s turnover reached HK\$2,481.2 million, an increase of 8% over the corresponding period in 2012. The growth is mainly attributable to the profit contributions from the newly-acquired agriculture-related businesses in Australia and New Zealand.

The Board of Directors has not declared any interim dividend for the period under review (2012: Nil).

## **AGRICULTURE-RELATED BUSINESS**

As at 30 June 2013, the Company's agriculture-related business recorded a revenue of HK\$965.4 million, representing an increase of 20% compared to the same period last year.

This half year result included a full six-month of profit contribution from Peaty Trading Group, which was acquired and consolidated under CK Life Sciences' Amgrow Pty Ltd in February 2012.

As the second largest vineyard owner in Australasia, the Company boosted its portfolio to 6,500 hectares. The 3 vineyards in Margaret River acquired in October 2012 provided a full six-month profit contribution during the period under review.

Completed in February 2013, the acquisition of Cheetham Salt Limited ("Cheetham"), Australia's largest domestic producer of salt, has provided four months of immediate profit contribution to the Company. Cheetham's salt fields and refineries are spread over about 9,300 hectares of leasehold and freehold land in Australia and New Zealand, of which around 90% is in Australia. Cheetham has broadened the Company's agricultural reach, expanded its land ownership profile and provided a steady and immediate return.

All other agriculture-related businesses continued to report good performance.

## **NUTRACEUTICAL BUSINESS**

Turnover of nutraceutical business recorded a slight increase of 2%, amounting to HK\$1,512 million.

Comprising Santé Naturelle A.G. Ltée in Canada, Vitaquest International Holdings LLC in the United States, and Lipa Pharmaceuticals Limited in Australia, the Company's portfolio of nutraceutical business delivered a stable performance.

## **RESEARCH AND DEVELOPMENT**

CK Life Sciences continued to make headway with regard to R&D activities.

Polynoma LLC, which focuses on developing the skin cancer vaccine for the treatment of melanoma, made steady progress in patient enrolment for its Phase III clinical trial in the United States.

The Company continues to study a number of avenues to recognise and enhance the value of the melanoma vaccine including through an Initial Public Offering.

For WEX Pharmaceuticals Inc.'s tetrodotoxin ("TTX")-based pain management product, Phase III clinical trial in Canada as well as Phase II clinical trial in the United States are making ongoing progress.

## **PROSPECTS**

CK Life Sciences is confident about its prospects going forward.

The recent acquisitions of high quality assets in the agriculture-related business have expanded the scope of the Company, provided additional steady income flows and significantly boosted our earnings.

The stable performance and continued organic growth of our existing businesses are also poised to strengthen our revenue stream.

The Company's financial platform is strong and business operations are solid. We look forward to building on this foundation to enhance value for our shareholders in the coming years.

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

**Li Tzar Kuoi, Victor**  
Chairman

Hong Kong, 22 July 2013

## **FINANCIAL REVIEW**

### **Financial Resources and Liquidity**

As at 30 June 2013, the total assets of the Group were about HK\$9,851.8 million, of which bank balances and time deposits were about HK\$553.8 million and treasury investments were about HK\$363.7 million. The bank interest generated for the first six months of 2013 was HK\$5.0 million. The net gain arising from the Group's investment segment for the period ended 30 June 2013 was HK\$13.0 million.

At the end of the period under review, the total liabilities of the Group were HK\$4,645.8 million, comprising borrowings from banks and major shareholders amounted to HK\$2,183.0 million and HK\$1,356.0 million, respectively. The financing from banks and major shareholders was mainly used for financing the acquisition of overseas business as well as providing general working capital for some of the overseas business. Total finance cost incurred by the Group for the six months ended 30 June 2013 was HK\$49.2 million.

As at 30 June 2013, the net debt to net total capital ratio of the Group was approximately 36.7%, 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, bank overdrafts, finance lease obligations and other borrowings) less cash, bank balances and time deposits.

The net asset value of the Group was HK\$0.54 per share.

### **Treasury Policies**

The Group continues to adopt a prudent treasury policy and manage most of its treasury functions at the head office regarding its funding needs, foreign exchange and interest rate exposures.

Most of the Group's financial instruments are denominated in United States dollars and Hong Kong dollars, and thus exchange rate risk associated with such investments is low. 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 2013, certain assets of the Group's subsidiary companies with carrying value of HK\$1,518.2 million were pledged as part of the security for bank borrowings totalling HK\$734.0 million granted to the subsidiary companies.

## **Material Acquisitions/Disposals and Significant Investments**

In February 2013, the Group completed the acquisition of the entire interests in Cheetham Salt Limited (“Cheetham”) from an independent third party at a cash consideration of approximately A\$154.9 million (approximately HK\$1,251.6 million). Cheetham is a limited company incorporated under the law of Australia and is principally engaged in the business of the production, refining and distribution of salt products for both food production and industrial applications throughout Australia, New Zealand and various parts in Asia. Details of which are incorporated in the Company’s announcement issued on 29 November 2012.

Other than the aforementioned, there was no material acquisition/disposal during the period under review.

The Group has always been investing significantly in research and development activities. Such expenditure amounted to about HK\$103.2 million for the period ended 30 June 2013.

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

As of 30 June 2013, the total capital commitments by the Group amounted to HK\$34.2 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and equipment.

## **Information on Employees**

The total number of full-time employee of the Group was 1,627 as at 30 June 2013, and is 333 more than the total headcount of 1,294 as at 30 June 2012. The increase in headcount was mainly due to the inclusion of Cheetham during the period. The total staff costs, including director’s emoluments, amounted to approximately HK\$468.9 million for the six months ended 30 June 2013, which represents an increase of 8% as compared to the same period of 2012. The Group’s employment and remuneration policies remained the same as detailed in the Company’s annual report for the year ended 31 December 2012.

## **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2013.

## Condensed Consolidated Income Statement

		<b>For the six months ended 30 June</b>	
		<b>2013</b>	2012
		<b>(unaudited)</b>	<b>(unaudited)</b>
	Notes	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	3	<b>2,481,175</b>	2,296,051
Cost of sales		<b>(1,617,659)</b>	(1,543,335)
		<b>863,516</b>	752,716
Other income, gains and losses		<b>19,282</b>	17,813
Staff costs	4	<b>(242,918)</b>	(211,546)
Depreciation		<b>(10,303)</b>	(8,853)
Amortisation of intangible assets		<b>(26,925)</b>	(23,988)
Other expenses		<b>(391,890)</b>	(304,623)
Finance costs		<b>(49,241)</b>	(45,695)
Share of the results of associates and joint ventures		<b>17,156</b>	(1,730)
Profit before taxation		<b>178,677</b>	174,094
Taxation	5	<b>(30,966)</b>	(45,348)
Profit for the period	6	<b>147,711</b>	128,746
Attributable to:			
Shareholders of the Company		<b>139,928</b>	115,630
Non-controlling interests of subsidiaries		<b>7,783</b>	13,116
		<b>147,711</b>	128,746
Earnings per share	7		
- Basic		<b>1.46 cents</b>	1.20 cents
- Diluted		<b>1.46 cents</b>	1.20 cents

## Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit for the period	<u>147,711</u>	<u>128,746</u>
Other comprehensive expenses		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	(555,606)	(25,043)
Loss on fair value changes of available-for-sale investments	(37,708)	(68,927)
Other comprehensive expenses for the period	<u>(593,314)</u>	<u>(93,970)</u>
Total comprehensive (expenses)/income for the period	<u>(445,603)</u>	<u>34,776</u>
Total comprehensive (expenses)/income attributable to:		
Shareholders of the Company	(429,458)	20,730
Non-controlling interests of subsidiaries	(16,145)	14,046
	<u>(445,603)</u>	<u>34,776</u>

## Condensed Consolidated Statement of Financial Position

		As at 30 June 2013 (unaudited) <u>HK\$'000</u>	As at 31 December 2012 (audited) <u>HK\$'000</u>
	Notes		
<b>Non-current assets</b>			
Investment properties	9	869,123	947,866
Vines	9	489,514	542,218
Property, plant and equipment	10	1,100,151	561,604
Intangible assets	11	4,121,190	4,302,480
Interests in associates and joint ventures		363,956	16,260
Available-for-sale investments		297,678	335,386
Investments at fair value through profit or loss		-	130,923
Deferred taxation		43,767	33,353
		<u>7,285,379</u>	<u>6,870,090</u>
<b>Current assets</b>			
Investments at fair value through profit or loss		59,656	64,718
Derivative financial instruments		6,390	8,234
Tax recoverable		15,189	5,044
Inventories		913,789	796,031
Receivables and prepayments	12	1,017,563	983,733
Bank balances and deposits		553,791	572,113
		<u>2,566,378</u>	<u>2,429,873</u>
<b>Current liabilities</b>			
Payables and accruals	12	(937,502)	(923,122)
Derivative financial instruments		(12,482)	(17,363)
Bank overdrafts		(2,546)	-
Bank borrowings	13	-	(124,414)
Finance lease obligations		(248)	(431)
Other borrowings	14	(575,000)	-
Taxation		(80,477)	(112,774)
		<u>(1,608,255)</u>	<u>(1,178,104)</u>
<b>Net current assets</b>		<u>958,123</u>	<u>1,251,769</u>
<b>Total assets less current liabilities</b>		<u>8,243,502</u>	<u>8,121,859</u>



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

		As at 30 June 2013 (unaudited) <u>HK\$'000</u>	As at 31 December 2012 (audited) <u>HK\$'000</u>
	Notes		
<b>Non-current liabilities</b>			
Bank borrowings	13	(2,183,001)	(1,565,629)
Finance lease obligations		(972)	(1,148)
Other borrowings	14	(810,038)	(790,376)
Deferred taxation		(43,527)	(41,008)
		<u>(3,037,538)</u>	<u>(2,398,161)</u>
<b>Total net assets</b>		<u><u>5,205,964</u></u>	<u><u>5,723,698</u></u>
<b>Capital and reserves</b>			
Share capital	15	961,107	961,107
Share premium and reserves		<u>4,015,581</u>	<u>4,502,705</u>
<b>Equity attributable to shareholders of the Company</b>		<b>4,976,688</b>	<b>5,463,812</b>
Non-controlling interests of subsidiaries		<u>229,276</u>	<u>259,886</u>
<b>Total equity</b>		<u><u>5,205,964</u></u>	<u><u>5,723,698</u></u>

## Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company							Attributable to Non-controlling interests of subsidiaries (unaudited)	Total (unaudited)	
	Share capital (unaudited)	Share premium (unaudited)	Investment revaluation reserve (unaudited)	Translation reserve (unaudited)	Employee share-based compensation reserve (unaudited)	Other reserves (unaudited)	Retained earnings (unaudited)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
<b>2012</b>										
At 1 January 2012	961,107	4,099,488	37,489	194,774	4,351	(45,267)	116,817	5,368,759	263,799	5,632,558
Profit for the period	-	-	-	-	-	-	115,630	115,630	13,116	128,746
Exchange differences arising from translation	-	-	-	(25,973)	-	-	-	(25,973)	930	(25,043)
Loss on fair value changes of available-for-sale investments	-	-	(68,927)	-	-	-	-	(68,927)	-	(68,927)
Total comprehensive (expenses)/income for the period	-	-	(68,927)	(25,973)	-	-	115,630	20,730	14,046	34,776
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(9,360)	-	(9,360)	-	(9,360)
Employees' share option of the Company lapsed	-	-	-	-	(10)	-	10	-	-	-
Dividends paid to the shareholders of the Company – 2011 final dividend HK\$0.005 per share	-	(48,055)	-	-	-	-	-	(48,055)	-	(48,055)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(16,666)	(16,666)
At 30 June 2012	961,107	4,051,433	(31,438)	168,801	4,341	(54,627)	232,457	5,332,074	261,179	5,593,253
<b>2013</b>										
At 1 January 2013	961,107	4,051,433	77,756	232,493	4,166	(156,476)	293,333	5,463,812	259,886	5,723,698
Profit for the period	-	-	-	-	-	-	139,928	139,928	7,783	147,711
Exchange differences arising from translation	-	-	-	(531,678)	-	-	-	(531,678)	(23,928)	(555,606)
Loss on fair value changes of available-for-sale investments	-	-	(37,708)	-	-	-	-	(37,708)	-	(37,708)
Total comprehensive (expenses)/income for the period	-	-	(37,708)	(531,678)	-	-	139,928	(429,458)	(16,145)	(445,603)
Employees' share option of the Company lapsed	-	-	-	-	(1,646)	-	1,646	-	-	-
Dividends paid to the shareholders of the Company – 2012 final dividend HK\$0.006 per share	-	(57,666)	-	-	-	-	-	(57,666)	-	(57,666)
Dividends distributed to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(14,465)	(14,465)
At 30 June 2013	961,107	3,993,767	40,048	(299,185)	2,520	(156,476)	434,907	4,976,688	229,276	5,205,964

## Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	108,125	229,375
Net cash outflow from investing activities	(1,125,095)	(156,393)
Net cash inflow from financing activities	1,030,520	132,268
Increase in cash and cash equivalents	13,550	205,250
Cash and cash equivalents at beginning of the period	572,113	380,415
Effect of foreign exchange rate changes	(34,418)	(7,055)
Cash and cash equivalents at end of the period	551,245	578,610

## Notes to the Condensed Consolidated Financial Statements

### 1. Basis of Preparation

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

### 2. Significant Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain properties, salt fields, vines 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 2012 (the “2012 Financial Statements”), except as described below:

- (a) Accounting policies applied for the new items resulting from the acquisition of salt business

#### **Property, plant and equipment - salt fields**

Salt fields held for use in the supply of goods are carried at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses. No depreciation is provided on salt fields.

Any revaluation increase arising from the revaluation of salt fields is recognised in other comprehensive income and accumulated in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising from the revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits/accumulated losses.

## **Investments in joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures. When the Group's share of losses of a joint venture exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with its joint venture, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

### **(b) Application of new and revised Hong Kong Financial Reporting Standards**

In the current period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations of Hong Kong Financial Reporting Standards ("New HKFRSs") issued by HKICPA which have become effective in this period as detailed in note 2 of the 2012 Financial Statements. The adoption of such New HKFRSs has no material impact on the accounting policies in the Group's interim financial statements for the period.

### 3. Turnover and Segment Information

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

#### A. Segment turnover

An analysis of the segment turnover is as follows:

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Agriculture-related	965,455	807,164
Health	1,511,964	1,482,908
Investment	3,756	5,979
	<u>2,481,175</u>	<u>2,296,051</u>

#### B. Segment results

An analysis of the segment results is as follows:

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Segment results		
Agriculture-related	157,298	140,814
Health	217,256	196,301
Investment	13,042	30,335
	<u>387,596</u>	<u>367,450</u>
Business development expenditure	(10,280)	(9,302)
Research and development expenditure	(103,178)	(94,535)
Corporate expenses	(46,220)	(43,824)
Finance costs	(49,241)	(45,695)
	<u>178,677</u>	<u>174,094</u>
Profit before taxation	178,677	174,094
Taxation	(30,966)	(45,348)
	<u>147,711</u>	<u>128,746</u>

#### 4. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions, share-based payment and recruitment costs for the six months ended 30 June 2013 amounted to HK\$468.9 million (2012: HK\$433.7 million) of which HK\$226.0 million (2012: HK\$222.1 million) relating to direct labor costs was included in cost of sales.

#### 5. Taxation

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Current tax		
Hong Kong	181	(686)
Other jurisdictions	41,438	58,790
Deferred tax		
Hong Kong	-	-
Other jurisdictions	(10,653)	(12,756)
	<u>30,966</u>	<u>45,348</u>

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

#### 6. Profit for the Period

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Profit for the period has been arrived at after crediting/(charging):		
Included in turnover:		
Rental income from investment properties	94,422	113,810
Included in other income, gains and losses:		
Interest income from bank deposits	4,996	5,240
(Loss)/gain on fair value change of investment properties and vines	(131)	260
Net gain on investments at fair value through profit or loss, and derivative financial instruments	5,746	10,467

## 7. Earnings Per Share

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

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period attributable to shareholders of the Company</b>		
Profit for calculating basic and diluted earnings per share	<b>139,928</b>	115,630
<b>Number of shares</b>		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	<b>9,611,073,000</b>	9,611,073,000

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options for the six months ended 30 June 2013 and 2012.

## 8. Dividends

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2013 (2012: Nil).

## 9. Investment Properties and Vines

	<b>Investment properties</b>	<b>Vines</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Valuation</b>		
At 1 January 2013	<b>947,866</b>	<b>542,218</b>
Additions	<b>33,878</b>	<b>6,650</b>
Disposals	<b>(8,324)</b>	<b>(3,197)</b>
Net decrease in fair value recognised in profit or loss	<b>(131)</b>	-
Exchange differences	<b>(104,166)</b>	<b>(56,157)</b>
At 30 June 2013	<b>869,123</b>	<b>489,514</b>

The investment properties and vines situated abroad were revalued by the Directors of the Group by reference to the valuations by independent professional valuers. The valuation of investment properties was determined by reference to market evidence of recent transaction prices for similar properties and replacement cost approach. Valuations of vines are residuals from the valuation of vineyards after deducting value of investment properties and water rights. The valuations of vineyards are determined by discounting the expected future cash flows from the vineyards.



## 10. Property, Plant and Equipment

	Land and building	Salt fields	Construction in progress	Laboratory instruments, plant and equipment	Furniture, fixtures and other assets	Leasehold improvement	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>							
At 1 January 2013	282,533	-	13,641	502,065	142,440	96,457	1,037,136
Additions	2,963	-	23,500	9,078	5,508	23,461	64,510
Arising from acquisition of subsidiaries	97,484	299,335	21,121	201,906	6,100	14,002	639,948
Reclassification	220	785	(20,463)	16,538	971	1,949	-
Disposals	(922)	-	-	(493)	(1,218)	-	(2,633)
Exchange differences	(35,250)	(36,757)	(3,377)	(53,971)	(7,247)	(6,492)	(143,094)
<b>At 30 June 2013</b>	<b>347,028</b>	<b>263,363</b>	<b>34,422</b>	<b>675,123</b>	<b>146,554</b>	<b>129,377</b>	<b>1,595,867</b>
<b>Depreciation and impairment</b>							
At 1 January 2013	21,633	-	-	287,249	116,625	50,025	475,532
Provided for the period	4,141	-	-	27,899	4,903	2,585	39,528
Elimination upon disposals	-	-	-	(177)	(554)	-	(731)
Exchange differences	(1,514)	-	-	(11,544)	(4,383)	(1,172)	(18,613)
<b>At 30 June 2013</b>	<b>24,260</b>	<b>-</b>	<b>-</b>	<b>303,427</b>	<b>116,591</b>	<b>51,438</b>	<b>495,716</b>
<b>Carrying Values</b>							
<b>At 30 June 2013</b>	<b>322,768</b>	<b>263,363</b>	<b>34,422</b>	<b>371,696</b>	<b>29,963</b>	<b>77,939</b>	<b>1,100,151</b>
At 31 December 2012	260,900	-	13,641	214,816	25,815	46,432	561,604

## 11. Intangible Assets

	Development costs	Patents	Goodwill	Trademarks	Customer relationship	Concession assets	Water rights	Other intangible assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>									
At 1 January 2013	482,526	202	3,256,990	100,359	452,444	125,140	186,391	10,403	4,614,455
Additions	-	-	-	-	-	-	30,915	-	30,915
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	10,340	10,340
Exchange differences	(15,029)	(24)	(122,776)	(6,924)	(30,189)	(15,060)	(25,601)	(2,332)	(217,935)
<b>At 30 June 2013</b>	<b>467,497</b>	<b>178</b>	<b>3,134,214</b>	<b>93,435</b>	<b>422,255</b>	<b>110,080</b>	<b>191,705</b>	<b>18,411</b>	<b>4,437,775</b>
<b>Amortisation and impairment</b>									
At 1 January 2013	613	165	-	-	244,877	55,819	6,792	3,709	311,975
Provided for the period	-	-	-	-	22,565	2,453	-	1,907	26,925
Exchange differences	(35)	(20)	-	-	(13,984)	(6,969)	(817)	(490)	(22,315)
<b>At 30 June 2013</b>	<b>578</b>	<b>145</b>	<b>-</b>	<b>-</b>	<b>253,458</b>	<b>51,303</b>	<b>5,975</b>	<b>5,126</b>	<b>316,585</b>
<b>Carrying values</b>									
<b>At 30 June 2013</b>	<b>466,919</b>	<b>33</b>	<b>3,134,214</b>	<b>93,435</b>	<b>168,797</b>	<b>58,777</b>	<b>185,730</b>	<b>13,285</b>	<b>4,121,190</b>
At 31 December 2012	481,913	37	3,256,990	100,359	207,567	69,321	179,599	6,694	4,302,480

## 12. Receivables and Payables

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

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

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Trade receivables</b>		
0 - 90 days	<b>799,724</b>	731,600
Over 90 days	<b>102,056</b>	91,571
	<b>901,780</b>	823,171
<b>Trade payables</b>		
0 - 90 days	<b>312,554</b>	278,766
Over 90 days	<b>8,504</b>	13,026
	<b>321,058</b>	291,792

## 13. Bank Borrowings

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

## 14. Other Borrowings

Included in the other borrowings are term loans of HK\$1,356.0 million obtained from certain substantial shareholders of the Company and their subsidiaries, which are unsecured, bearing interest with reference to Hong Kong Interbank Offered Rate plus margins ranging from 1% to 2% per annum, and with due dates ranging from January 2014 to February 2021. During the period, total interest expenses of HK\$10.6 million were incurred for these shareholder loans.

## 15. Share Capital

	<u>Number of share of HK\$0.1 each</u> <u>'000</u>	<u>Nominal value</u> <u>HK\$'000</u>
<b>Authorised</b>		
At 31 December 2012 and 30 June 2013	<u>15,000,000</u>	<u>1,500,000</u>
<b>Issued and fully paid</b>		
At 31 December 2012 and 30 June 2013	<u>9,611,073</u>	<u>961,107</u>

## 16. 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 2013:

- (i) The Group made sales of HK\$13.9 million (2012: HK\$16.2 million) to Hutchison International Limited (“HIL”) group. HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited which is the associate of a substantial shareholder of the Company, Cheung Kong (Holdings) Limited.
- (ii) The Group leased certain properties from Leknarf Associates LLC (“Leknarf”) which is an associate of a non-controlling shareholder of a non-wholly owned subsidiary company, Vitaquest International Holdings LLC. The total rental payment by the Group to Leknarf amounted to HK\$8.6 million (2012: HK\$8.4 million).
- (iii) The Group has engaged Challenger Management Services Limited (“CMSL”) as a manager of its vineyard portfolio held in Australia and New Zealand. CMSL is a fellow subsidiary of the non-controlling shareholder of a non-wholly owned subsidiary company, Belvino Investments Trust. According to the management deed, CMSL is entitled to charge the Group management fees calculated at certain agreed ratios on the total gross income, capital acquisition costs and total assets of certain subsidiaries. During the period, management fees of HK\$6.2 million (2012: HK\$6.2 million) were incurred.
- (iv) The Group made sales of HK\$41.4 million (2012: Nil) to the associates and joint ventures of Cheetham Salt Limited, a wholly owned subsidiary of the Company during the period.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. Save as disclosed below, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2013. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman of the Board and the Chief Executive Officer.

## **AUDIT COMMITTEE**

The Company established an audit committee ("Audit Committee") on 26 June 2002 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely, Professor Wong Yue-chim, Richard (Chairman of the Audit Committee), Mrs. Kwok Eva Lee and Mr. Colin Stevens Russel. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

The Group's interim results for the six months ended 30 June 2013 have been reviewed by the Audit Committee.

## REMUNERATION COMMITTEE

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

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