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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 2019

2019 FIRST HALF RESULTS

For the six months ended 30 June 2019, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") recorded unaudited profit attributable to shareholders of HK171 million, similar to that of the corresponding period last year. The results were affected by the weakness of the Australian dollar exchange rate. Had the profit been reported in Australian dollars, profit attributable to shareholders would have been an increase of approximately 10% as compared to the corresponding period in 2018.

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

AGRICULTURE-RELATED BUSINESS

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

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

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

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

NUTRACEUTICAL BUSINESS

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

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

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

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

PHARMACEUTICAL RESEARCH AND DEVELOPMENT

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

Cancer Vaccines R&D

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

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

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

Pain Management R&D

Despite many pain management options being available to patients, uncontrolled chronic pain remains a major unmet medical need globally. WEX Pharmaceuticals Inc. ("WEX Pharma"), our Canadian subsidiary, is developing an analgesic based on the puffer fish toxin, tetrodotoxin. WEX Pharma's product, Halneuron™, acts by blocking Na_V1.7 voltage-gated sodium channels and is potentially a first-in-class drug approved for the treatment of pain.

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

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

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

PROSPECTS

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

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

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

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

Victor T K Li
Chairman

Hong Kong, 30 July 2019

FINANCIAL REVIEW

Financial Resources and Liquidity

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

At the end of the period under review, the total liabilities of the Group were HK$6,122.1 million, comprising bank and other borrowings amounted to HK$4,807.6 million. These borrowings were mainly used for financing the acquisition of overseas businesses as well as providing general working capital for some of the overseas businesses. Total finance cost incurred by the Group for the six months ended 30 June 2019 was HK$74.8 million.

As at 30 June 2019, the net debt to net total capital ratio of the Group was approximately 48.86%, which is calculated as the Group's net borrowings over the aggregate of the Group's total equity and net borrowings. For this purpose, the Group defines net borrowings as total borrowings (including bank borrowings and other borrowings) less cash, bank balances and time deposits.

The net asset value of the Group was HK$0.45 per share.

Treasury Policies

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

Most of the Group's financial instruments are denominated in United States dollars and Hong Kong dollars, and thus exchange rate risk associated with such investments is low. Most of the Group's borrowings are principally on a floating rate basis. To minimise its interest rate risk, the Group has been regularly and closely monitoring its overall net debt position, and reviewing its funding costs and loan maturity profile so as to facilitate refinancing whenever appropriate.

Charge on Assets

As at 30 June 2019, certain assets of the Group's subsidiary companies with a carrying value of HK$845.3 million were pledged as part of the security for bank borrowings totalling HK$315.6 million granted to the subsidiary companies.

Material Acquisitions/Disposals and Significant Investments

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

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

Capital Commitments and Future Plans for Material Investments or Capital Assets

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

Information on Employees

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

Contingent Liabilities

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

Condensed Consolidated Income Statement

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

Condensed Consolidated Statement of Comprehensive Income

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

Condensed Consolidated Statement of Financial Position

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

Condensed Consolidated Statement of Financial Position (cont'd)

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

Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company								
	Share capital (unaudited)	Share premium (unaudited)	Investment at fair value through other comprehensive income reserve (unaudited)	Translation reserve (unaudited)	Other reserves (unaudited)	Retained earnings (unaudited)	Sub-total (unaudited)	Attributable to non-controlling interests of subsidiaries (unaudited)	Total (unaudited)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2018									
At 1 January 2018	961,107	3,666,990	(5,445)	(1,062,471)	(444,089)	1,500,951	4,617,043	139,662	4,756,705
Profit for the period	-	-	-	-	-	170,932	170,932	5,532	176,464
Exchange differences arising from translation of foreign operations	-	-	-	(133,151)	-	-	(133,151)	(3,115)	(136,266)
Loss on fair value changes of equity investments designated at fair value through other comprehensive income	-	-	(3,406)	-	-	-	(3,406)	-	(3,406)
Total comprehensive (expenses)/income for the period	-	-	(3,406)	(133,151)	-	170,932	34,375	2,417	36,792
Acquisition of additional interests in a subsidiary	-	-	-	-	(94,551)	-	(94,551)	284	(94,267)
Dividends paid to the shareholders of the Company – 2017 final dividend HK$0.01 per share	-	(96,111)	-	-	-	-	(96,111)	-	(96,111)
At 30 June 2018	961,107	3,570,879	(8,851)	(1,195,622)	(538,640)	1,671,883	4,460,756	142,363	4,603,119
2019									
At 1 January 2019	**961,107**	**3,570,879**	**(92,703)**	**(1,399,778)**	**(538,640)**	**1,763,043**	**4,263,908**	**155,935**	**4,419,843**
Transitional adjustments on the initial application of HKFRS 16	**-**	**-**	**-**	**-**	**-**	**(43,605)**	**(43,605)**	**-**	**(43,605)**
Adjusted as at 1 January 2019	**961,107**	**3,570,879**	**(92,703)**	**(1,399,778)**	**(538,640)**	**1,719,438**	**4,220,303**	**155,935**	**4,376,238**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**171,253**	**171,253**	**4,794**	**176,047**
Exchange differences arising from translation of foreign operations	**-**	**-**	**-**	**(120,123)**	**-**	**-**	**(120,123)**	**(4,865)**	**(124,988)**
Total comprehensive (expenses)/income for the period	**-**	**-**	**-**	**(120,123)**	**-**	**171,253**	**51,130**	**(71)**	**51,059**
Dividends paid to the shareholders of the Company – 2018 final dividend HK$0.01 per share	**-**	**(96,111)**	**-**	**-**	**-**	**-**	**(96,111)**	**-**	**(96,111)**
Dividends distributed to non-controlling interests of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,358)**	**(8,358)**
At 30 June 2019	**961,107**	**3,474,768**	**(92,703)**	**(1,519,901)**	**(538,640)**	**1,890,691**	**4,175,322**	**147,506**	**4,322,828**

Condensed Consolidated Statement of Cash Flows

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

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

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

2. Significant Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain properties and financial instruments which are measured at revaluated amounts or fair values.

The accounting policies used in preparing the interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2018 (the “2018 Financial Statements”), except for the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations (collectively “new and revised HKFRSs”) issued by HKICPA which have become effective in this period as detailed in note 2 of the 2018 Financial Statements. Except as described below, the adoption of other new and revised HKFRSs has no material impact on the accounting policies in the Group’s interim financial statements for the period.

HKFRS 16 Leases (“HKFRS 16”)

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

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

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

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

2. Significant Accounting Policies (cont'd)

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

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

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

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

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

2. Significant Accounting Policies (cont'd)

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

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

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

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

2. Significant Accounting Policies (cont'd)

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

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

2. Significant Accounting Policies (cont'd)

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

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

3. Revenue and Segment Information

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

A. Revenue

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

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

B. Segment results

An analysis of the segment results is as follows:

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Segment results		
Agriculture-related	**106,649**	117,016
Health	**265,863**	246,340
	372,512	363,356
Unallocated other income, gains or losses	**(13,062)**	(18,124)
Research and development expenditure	**(40,308)**	(31,745)
Corporate expenses	**(37,065)**	(41,315)
Finance costs	**(74,777)**	(57,186)
Profit before taxation	**207,300**	214,986
Taxation	**(31,253)**	(38,522)
Profit for the period	**176,047**	176,464

4. Staff Costs

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

5. Taxation

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

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

6. Profit for the Period

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

7. Earnings Per Share

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

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Profit for the period attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	**171,253**	170,932
Number of shares		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	**9,611,073,000**	9,611,073,000

Diluted earnings per share for the periods ended 30 June 2019 and 2018 are the same as the basic earnings per share as there were no dilutive ordinary shares outstanding.

8. Dividends

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2019 (2018: Nil).

9. Investment Properties

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

10. Property, Plant and Equipment

	Land and buildings	Vines	Salt fields	Construction in progress	Laboratory instruments, plant and equipment	Furniture, fixtures and other assets	Leasehold improvement	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation								
At 1 January 2019	642,408	546,759	348,164	106,268	942,069	146,071	168,435	2,900,174
Transitional adjustments on the initial application of HKFRS 16	-	-	-	-	(1,102)	(341)	-	(1,443)
Adjusted as at 1 January 2019	642,408	546,759	348,164	106,268	940,967	145,730	168,435	2,898,731
Additions	1,124	369	-	28,724	3,852	4,700	1,418	40,187
Reclassification	527	-	1,692	(32,291)	28,799	1,273	-	-
Disposals/write-off	-	-	-	-	(67)	(996)	-	(1,063)
Exchange differences	(12,931)	(15,234)	(9,457)	(598)	(18,663)	(1,077)	(1,389)	(59,349)
At 30 June 2019	**631,128**	**531,894**	**340,399**	**102,103**	**954,888**	**149,630**	**168,464**	**2,878,506**
Depreciation and impairment								
At 1 January 2019	102,642	197,600	-	-	498,795	111,766	88,731	999,534
Transitional adjustments on the initial application of HKFRS 16	-	-	-	-	(543)	(90)	-	(633)
Adjusted as at 1 January 2019	102,642	197,600	-	-	498,252	111,676	88,731	998,901
Provided for the period	6,181	9,791	-	-	34,087	5,376	7,136	62,571
Eliminated upon disposals/write-off	-	-	-	-	-	(996)	-	(996)
Exchange differences	(1,025)	(5,751)	-	-	(8,238)	(737)	(400)	(16,151)
At 30 June 2019	**107,798**	**201,640**	**-**	**-**	**524,101**	**115,319**	**95,467**	**1,044,325**
Carrying Values								
At 30 June 2019	**523,330**	**330,254**	**340,399**	**102,103**	**430,787**	**34,311**	**72,997**	**1,834,181**
At 31 December 2018	539,766	349,159	348,164	106,268	443,274	34,305	79,704	1,900,640

11. Intangible Assets

	Development costs	Patents	Goodwill	Brand name and trademarks	Customer relationships	Water rights	Other intangible assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost								
At 1 January 2019	414,213	139	2,800,738	124,273	373,315	236,368	27,341	3,976,387
Additions	-	-	-	-	-	-	260	260
Exchange differences	3,416	(4)	(12,624)	(722)	(4,471)	(6,790)	(210)	(21,405)
At 30 June 2019	**417,629**	**135**	**2,788,114**	**123,551**	**368,844**	**229,578**	**27,391**	**3,955,242**
Amortisation and impairment								
At 1 January 2019	456	115	-	-	360,181	12,739	10,660	384,151
Provided for the period	-	-	-	-	2,059	-	1,533	3,592
Exchange differences	8	(3)	-	-	(4,137)	(366)	(189)	(4,687)
At 30 June 2019	**464**	**112**	**-**	**-**	**358,103**	**12,373**	**12,004**	**383,056**
Carrying values								
At 30 June 2019	**417,165**	**23**	**2,788,114**	**123,551**	**10,741**	**217,205**	**15,387**	**3,572,186**
At 31 December 2018	413,757	24	2,800,738	124,273	13,134	223,629	16,681	3,592,236

12. Right-of-use assets

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

13. Receivables and Payables

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

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

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

14. Bank Borrowings

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

15. Other Borrowings

Included in other borrowings is a loan of HK$498.4 million from a subsidiary of a substantial shareholder of the Company, which is unsecured, bearing interest with reference to Hong Kong Interbank Offered Rate (the "HIBOR") plus a margin of 1.05% per annum, and is due in February 2021. During the period, total interest expenses of HK$6.7 million (2018: HK$5.1 million) were incurred for this shareholder loan.

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

16. Share Capital

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

17. Fair Value Measurement of Financial Instruments

Financial Instruments measured at fair value on a recurring basis

	Level 1	Level 2	Level 3	Total
	HK$’000	HK$’000	HK$’000	HK$’000
As at 30 June 2019				
Financial assets designated at fair value through other comprehensive income				
Equity securities – listed in Hong Kong	**10,644**	**-**	**-**	**10,644**
Equity securities – unlisted investments	**-**	**-**	**119,000**	**119,000**
Total	**10,644**	**-**	**119,000**	**129,644**
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	**10,889**	**-**	**-**	**10,889**
As at 31 December 2018				
Financial assets designated at fair value through other comprehensive income				
Equity securities – listed in Hong Kong	10,644	-	-	10,644
Equity securities – unlisted investments	-	-	119,000	119,000
Total	10,644	-	119,000	129,644
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	11,585	-	-	11,585

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

Information about Level 3 fair value measurements

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

18. Related Party Transactions

In addition to the transactions and balances set out elsewhere in the notes to the condensed consolidated financial statements, the Group entered into the following transactions with related parties during the six months ended 30 June 2019:

(i) The Group made sales of HK$11.8 million (2018: HK$12.0 million) to Hutchison International Limited ("HIL") group. HIL is an indirect wholly-owned subsidiary of a substantial shareholder of the Company, CK Hutchison Holdings Limited.

(ii) The Group made sales of HK$1.2 million (2018: HK$0.8 million) to a joint venture of Cheetham Salt Limited, a wholly owned subsidiary of the Company during the period.

(iii) The Group leased certain properties from Leknarf Associates LLC ("Leknarf") which is a related company of a former director of a wholly owned subsidiary company, Vitaquest International Holdings LLC ("Vitaquest"). The leases no longer constituted as related party transactions upon the resignation of the former director of Vitaquest in January 2019. During the period ended 30 June 2018, the total rental payment by the Group to Leknarf amounted to HK$12.1 million.

(iv) During the period ended 30 June 2018, the Group had engaged Challenger Management Services Limited ("CMSL") as a manager of its vineyard portfolio held in Australia and New Zealand. CMSL is a fellow subsidiary of a non-controlling shareholder of a non-wholly owned subsidiary company, Belvino Investments Trust. According to the management deed, CMSL was entitled to charge the Group with management fees calculated at certain agreed ratios on the total gross income, capital acquisition costs and total assets of certain subsidiaries. Management fees incurred for the period ended 30 June 2018 was HK$3.3 million.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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.

The Company had applied the principles and complied with all code provisions (except as stated below) and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2019. In respect of code provision A.5.1 of the CG Code, the Company established its nomination committee ("Nomination Committee") on 1 January 2019 which comprises all Directors of the Company, and the Chairman of the Board is the Chairman of the Nomination Committee. When the need to select, nominate or re-elect Directors arises, a sub-committee will be established comprising members from the Nomination Committee in compliance with the requirements under the Listing Rules in relation to the composition of nomination committee. In respect of code provision A.6.7 of the CG Code, an Independent Non-executive Director was not in a position to attend the annual general meeting of the Company held on 16 May 2019 due to indisposition.

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

AUDIT COMMITTEE

The Company established the Audit Committee on 26 June 2002 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Kwan Kai Cheong (Chairman of the Audit Committee), Mr. Colin Stevens Russel and Mr. Paul Joseph Tighe. The principal duties of the Audit Committee include: the review and supervision of the Group's financial reporting system, risk management and internal control systems; review of the Group's financial information; review of the relationship with the external auditor of the Company; and performance of the corporate governance functions delegated by the Board.

The Group's interim results for the six months ended 30 June 2019 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

In compliance with the CG Code, the Company established its remuneration committee ("Remuneration Committee") on 1 January 2005 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman, Mr. 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.

NOMINATION COMMITTEE

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

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. Toh Kean Meng, Melvin; and the Non-executive Directors are Mr. Peter Peace Tulloch, Mrs. Kwok Eva Lee (Independent Non-executive Director), Mr. Colin Stevens Russel (Independent Non-executive Director), Mr. Kwan Kai Cheong (Independent Non-executive Director) and Mr. Paul Joseph Tighe (Independent Non-executive Director).