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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)

THE CHAIRMAN'S STATEMENT FOR 2021

For the year ended 31 December 2021, CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences" or the "Company") experienced operational challenges posed by the lingering presence of the Covid-19 pandemic. Timely action to increase pricing, streamline operations, improve efficiency and capitalise on new market trends, enabled the Company to achieve profit attributable to shareholders of HK\$162.8 million, compared with HK\$125.2 million in 2020. R&D projects also recorded progress.

The Board of Directors has recommended a final dividend of HK\$0.01 per share for the year ended 31 December 2021 (2020: HK\$0.01 per share). The proposed dividend will be paid on Wednesday, 1 June, 2022 following approval at the 2022 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 23 May 2022.

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.

Performance in the segment recovered from 2020, with revenue rising 11%. The continued presence of the Covid-19 pandemic increased consumer interest in maintaining wellness and drove market demand for vitamins and supplements in general. Cost increases resulting from disruptions to the supply chain and shortage of labour persisted, although effective pricing strategies and improvement programmes helped soften their impact.

Vitaquest is an industry-leading development and commercialisation partner for the nutraceutical and functional food markets. Based in the state of New Jersey in the United States, Vitaquest experienced shortages and price increases in raw materials. Inflationary pressures not seen in the country for over 40 years, coupled with reduction to the pool of labour, exerted severe upward pressure on wages. The commissioning of a new facility made it possible for Vitaquest to pursue an aggressive strategy of continuous improvement and expansion of manufacturing capabilities to offset some of these cost increases to achieve satisfactory sales increase and profit.

SNAG is one of Canada's longest established companies specialising in progressive natural health solutions. Sustained innovation since 1946 has earned the company a reputation as one of the leaders in providing science-based natural health products in the Province of Quebec. In 2021, SNAG continued the supply of immunity-related products despite supply chain disruptions. Securing new product listings with national retailers with products that support the immune system lessened the impact of other operational challenges.

Lipa is one of the largest contract manufacturers of complementary healthcare medicines, vitamins and nutritional supplements in Australia. During the year, it achieved satisfactory sales performance despite soft domestic demand by working with major customers building growth in Asia and other international markets, as well as winning new customers, both domestically and overseas. In the face of Covid-19 related supply chain challenges and cost pressures, Lipa reaped the benefits of investment in new equipment and cross-functional technology projects, improving customer service, decision making and efficiency. The company also made progress in sustainability and won The Complementary Medicine Association's 2021 CMA Sustainability Award.

AGRICULTURE-RELATED BUSINESS

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

Performance of the segment improved versus 2020 on the back of increased customer confidence in investing in agricultural inputs. Revenue was 7% better than last year. Limited availability and high cost of international freight capacity hobbled the export of finished goods from Australia and New Zealand and import of raw materials. A focus on cost reduction, streamlining of product offerings and pricing helped reduce the impact of negative factors.

Australian Agribusiness comprises businesses in the manufacturing, wholesale and retail of agriculture-related products. A re-organisation into two operating divisions, Crop Solutions and Consumer and Professional Solutions improved both access to market and operating margins. A combination of better pricing, more optimal product mix and cost reduction delivered better performance than in 2020.

Income from the Company's vineyard portfolio rose with annual rental increases in the existing portfolio and the addition of a property in the Margaret River region of Western Australia. During the year, we undertook irrigation upgrade, frost protection and replanting works to improve productivity. Driven by demand for wine from New Zealand, the valuation of properties in the portfolio also increased.

Cheetham, Australasia's leading producer of value-added salt products, was buffeted by market and supply chain disruptions. The continued presence of Covid-19 crimped demand in Asian markets, although favourable pricing and product mix as well as good cost control reduced the pressure on profit. Impact of negative factors on the business was also minimised by the defensive characteristics of the product, combined with our industry and geographical diversification.

HEALTHCARE RESEARCH AND DEVELOPMENT

CK Life Sciences' research and development operations are engaged in the research and development of pharmaceuticals. The Company's pharmaceutical R&D efforts are focused on cancer vaccines and pain management products.

Cancer vaccines are a type of immunotherapy that work by stimulating the body's immune system to fight cancer. Our most advanced cancer vaccine is seviprotimut-L, a proprietary polyvalent therapeutic cancer vaccine being developed by our US subsidiary, Polynoma LLC ("Polynoma"), for the treatment of melanoma. In 2021, clinical data of seviprotimut-L was published in a major medical journal, the Journal for ImmunoTherapy of Cancer. In addition, Polynoma reached an agreement with the U.S. Food and Drug Administration ("US FDA"), under a Special Protocol Assessment (SPA), on a pivotal Phase 3 clinical study of seviprotimut-L for the adjuvant treatment of patients 60 years and younger with Stage IIB or IIC melanoma, following definitive surgical resection.

The Company has multiple cancer vaccine R&D projects at the preclinical development stage underway, and aims to advance new cancer vaccine candidates into clinical testing in the coming years.

As uncontrolled chronic pain is a major unmet medical need globally, the market potential for new pain management solutions is significant. WEX Pharmaceuticals Inc. ("WEX Pharma"), our Canadian subsidiary, is developing Halneuron™, an analgesic based on the puffer fish toxin, tetrodotoxin. The US FDA and Health Canada have both greenlighted the start of a Phase III clinical trial of Halneuron™ for Chemotherapy-induced Neuropathic Pain. The Company aims to commence this Phase III clinical trial at the appropriate time, recognising the need for prioritisation of spending among the various R&D projects. In the meantime, WEX Pharma made progress in the planning for an Asian clinical trial of Halneuron™ and hopes to commence patient enrolment in mid-2022.

The COVID-19 pandemic has impacted the progress of development of seviprotimut-L and Halneuron™. In particular, supply chain disruptions have delayed the production of drug product required for the clinical trials and created operational challenges. Nonetheless, the Company has managed to overcome some of these challenges and hopes to commence the new clinical trials as soon as feasible.

In accordance with our accounting policy, continuous investment in our R&D projects is recognised as an expense in the period in which it is incurred.

SUSTAINABILITY AND RESPONSE TO COVID-19

Under the leadership of the board-level Sustainability Committee, our business units have developed and committed to various environmental targets to further progress our sustainability agenda. More comprehensive disclosure on sustainability initiatives and progress will be covered in a standalone Sustainability Report to be issued later in the year.

Towards the end of the year, a noticeable surge in Covid-19 infections among staff was observed as the Omicron variant began to dominate new cases. CK Life Sciences maintained a series of operational reinforcement measures to protect our employees and enable all facilities to continue normal operations as far as possible. Covid-induced supply chain issues also worsened.

PROSPECTS

The COVID-19 global pandemic continues to present many lingering challenges to daily operations and profitability. Improved performance we achieved over 2021 gives us comfort about the resilience of our operations, but our teams are working hard to overcome persistent disruption to domestic and international supply chains, inflationary pressure and labour shortage. Investment in technology, the spirit of continuous improvement and timely response to changing market conditions will help maintain steady performance in the future.

Broadening R&D into preclinical stage immunotherapy and progress in the late stage projects provide diverse opportunities for creation of future value.

I would like to thank our shareholders and the Board of Directors for their continued support and contribution. I also take this opportunity to express my appreciation to our staff, especially those in the frontline, for their commitment to maintaining operations amidst the lingering pandemic. We continue to build on our strengths and solidify our business foundation to neutralise adverse market conditions.

Victor T K Li
Chairman

Hong Kong, 15 March 2022

FINANCIAL REVIEW

Financial Resources, Liquidity and Treasury Policies

In 2021, the financial and liquidity position of the Group continued to be sound and healthy. It was financed mainly from internal sources such as cash generated from business activities as well as other sources such as borrowings from banks.

The Group's bank borrowings were mainly for the acquisition of the Group's overseas businesses as well as providing general working capital. As at 31 December 2021, the bank borrowings amounted to HK\$5,636.9 million. All these borrowings were made on a floating interest rate basis and were granted based on some committed terms by, and with the guarantees of, the Company. As at 31 December 2021, certain assets of the Group's overseas subsidiaries with carrying value of HK\$1,142.0 million were pledged as part of the security for bank borrowings totalling HK\$326.9 million. The total interest expenses on bank and other borrowings of the Group for the year were HK\$74.7 million.

At the end of 2021, the total assets of the Group were about HK\$11,731.0 million, of which bank balances and time deposits were about HK\$890.8 million and treasury investments were about HK\$11.7 million.

The total net assets of the Group as at 31 December 2021 were HK\$4,500.8 million, representing HK\$0.47 per share. The net debt to net total capital ratio of the Group as at 31 December 2021 was approximately 51.33%, 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 bank borrowings less cash, bank balances and time deposits.

The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost efficient funding to the Group. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to interest rates fluctuation. It monitors its overall net debt position closely, reviews its funding costs and maturity profile regularly, and takes necessary actions to facilitate refinancing whenever appropriate.

Material Acquisitions/Disposals and Significant Investments

There was no material acquisition/disposal during the year under review.

The Group has always been investing significantly in research and development activities. Total research and development expenditure incurred in 2021 amounted to about HK\$157.3 million.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 31 December 2021, the total capital commitments by the Group amounted to HK\$80.0 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 1,855 as at 31 December 2021 (2020: 1,809). The total staff costs, including directors' emoluments, amounted to approximately HK\$1,069.5 million for the year under review, which represents an increase of 4.9% as compared to the previous year.

The Group's remuneration policies and fringe benefits remained basically the same as before. The Group would ensure the pay levels of its employees are competitive and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2021 (2020: Nil).

Consolidated Income Statement

For the year ended 31 December 2021

	Notes	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Revenue	3	5,402,312	4,942,544
Cost of sales		<u>(3,772,342)</u>	<u>(3,535,638)</u>
		1,629,970	1,406,906
Other income, gains and losses	4	98,245	161,619
Staff costs	5	(571,564)	(540,546)
Depreciation		(106,698)	(100,119)
Amortisation of intangible assets		(7,590)	(7,128)
Other expenses	6	(707,506)	(674,360)
Finance costs	7	(97,823)	(128,726)
Share of results of a joint venture		1,205	1,480
Profit before taxation		238,239	119,126
Taxation	8	(75,438)	6,102
Profit for the year		<u>162,801</u>	<u>125,228</u>
Attributable to:			
Shareholders of the Company		162,801	125,234
Non-controlling interests of subsidiaries		-	(6)
		<u>162,801</u>	<u>125,228</u>
Earnings per share	9		
- Basic		<u>1.69 cents</u>	<u>1.30 cents</u>
- Diluted		<u>1.69 cents</u>	<u>1.30 cents</u>

Consolidated Statement of Comprehensive Income For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Profit for the year	162,801	125,228
Other comprehensive (expenses)/income		
Items that will not be reclassified to profit or loss:		
Actuarial loss of defined benefit retirement plan	(331)	(835)
Gain on revaluation of property, plant and equipment	-	41,885
	(331)	41,050
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	(283,974)	478,323
Other comprehensive (expenses)/income for the year	(284,305)	519,373
Total comprehensive (expenses)/income for the year	(121,504)	644,601
Attributable to:		
Shareholders of the Company	(121,504)	644,607
Non-controlling interests of subsidiaries	-	(6)
	(121,504)	644,601

Consolidated Statement of Financial Position

As at 31 December 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
Non-current assets			
Investment properties		2,047,858	2,032,170
Property, plant and equipment		2,334,510	2,349,000
Right-of-use assets		430,869	466,774
Intangible assets		3,670,797	3,741,656
Interests in a joint venture		5,793	6,526
Deferred taxation		72,041	89,871
		8,561,868	8,685,997
Current assets			
Equity investments		11,669	12,714
Tax recoverable		5,635	22,839
Inventories		1,253,873	1,370,102
Receivables and prepayments	11	1,007,172	927,019
Bank balances and deposits		890,801	958,998
		3,169,150	3,291,672
Current liabilities			
Payables and accruals	12	(741,844)	(806,086)
Bank borrowings		(1,224,000)	-
Lease liabilities		(69,108)	(73,701)
Taxation		(40,150)	(35,786)
		(2,075,102)	(915,573)
Net current assets		1,094,048	2,376,099
Total assets less current liabilities		9,655,916	11,062,096

Consolidated Statement of Financial Position (cont'd)
As at 31 December 2021

	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000
Non-current liabilities		
Bank borrowings	(4,412,893)	(4,502,861)
Lease liabilities	(507,005)	(513,939)
Other borrowings	-	(1,100,000)
Deferred taxation	(223,765)	(216,623)
Retirement benefit obligations	(11,409)	(10,214)
	<u>(5,155,072)</u>	<u>(6,343,637)</u>
Total net assets	<u><u>4,500,844</u></u>	<u><u>4,718,459</u></u>
Capital and reserves		
Share capital	961,107	961,107
Share premium and reserves	3,542,477	3,760,092
Equity attributable to shareholders of the Company	4,503,584	4,721,199
Non-controlling interests of subsidiaries	(2,740)	(2,740)
Total equity	<u><u>4,500,844</u></u>	<u><u>4,718,459</u></u>

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to shareholders of the Company									
	Share capital	Share premium	Investment at fair value through other comprehensive income reserve	Translation reserve	Asset revaluation reserve	Other reserves	Retained earnings	Sub-total	Attributable to non-controlling interests of subsidiaries	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As 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 year	-	-	-	-	-	-	125,234	125,234	(6)	125,228
Exchange differences arising from translation of foreign operations	-	-	-	478,323	-	-	-	478,323	-	478,323
Actuarial loss of defined benefit retirement plan	-	-	-	-	-	-	(835)	(835)	-	(835)
Gain on revaluation of property, plant and equipment	-	-	-	-	41,885	-	-	41,885	-	41,885
Total comprehensive income/ (expense) for the year	-	-	-	478,323	41,885	-	124,399	644,607	(6)	644,601
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(4,781)	-	(4,781)	-	(4,781)
Dividends paid to the shareholders of the Company – 2019 final dividend HK\$0.01 per share	-	(96,111)	-	-	-	-	-	(96,111)	-	(96,111)
As at 31 December 2020	961,107	3,378,657	(103,347)	(1,041,023)	41,885	(541,036)	2,024,956	4,721,199	(2,740)	4,718,459
Profit for the year	-	-	-	-	-	-	162,801	162,801	-	162,801
Exchange differences arising from translation of foreign operations	-	-	-	(283,974)	-	-	-	(283,974)	-	(283,974)
Actuarial loss of defined benefit retirement plan	-	-	-	-	-	-	(331)	(331)	-	(331)
Total comprehensive (expenses)/income for the year	-	-	-	(283,974)	-	-	162,470	(121,504)	-	(121,504)
Dividends paid to the shareholders of the Company – 2020 final dividend HK\$0.01 per share	-	(96,111)	-	-	-	-	-	(96,111)	-	(96,111)
As at 31 December 2021	961,107	3,282,546	(103,347)	(1,324,997)	41,885	(541,036)	2,187,426	4,503,584	(2,740)	4,500,844

Notes to the Consolidated Financial Statements

1. General Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Hong Kong dollars, which are the same as the functional currency of the Company.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in research and development, manufacturing, commercialisation, marketing and selling of health and agriculture-related products, as well as investment in a portfolio of vineyards, and various financial and investment products.

2. Application of Amendments to Hong Kong Financial Reporting Standards

In the current year, the Group has adopted, for the first time, a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (collectively “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are effective in the current year.

Except as described below, the adoption of other new HKFRSs has no material impact on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendment to HKFRS 16 COVID-19 – Related Rent Concessions

Amendment to HKFRS 16 COVID-19 – Related Rent Concessions is effective in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The application does not have impact on the Group’s financial position and performance as the Group does not obtain any rent concessions.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures.

Upon the application of the amendments on 1 January 2021, the bank borrowings of the Group were HK\$4,502.9 million. Included in the balances were bank borrowings of HK\$936 million carrying interest at floating rate, which are indexed to USD London Interbank Offered Rate (“LIBOR”) and the USD LIBOR will continue to maturity. There are no changes to the basis for determining contractual cash flows of the Group’s financial asset and financial liabilities as a result of interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts have been transitioned to the relevant replacement rates during the year.

In addition, the Group applied the agenda decision of the International Financial Reporting Standards Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group may recognise a deferred tax asset and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings at the beginning of the earliest comparative period presented.

Apart from the above, the Group is also in the process of assessing the impact of other new HKFRSs, which are not yet effective, on the Group's consolidated financial statements. Up to the date of approval of financial statements, the Group anticipates the application of such new and amendments to HKFRSs will have no material impact on the Group.

3. Revenue

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:

	<u>2021</u>	<u>2020</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Sales of goods:		
Agriculture-related	2,091,543	1,961,086
Health	3,122,293	2,814,728
Revenue from contracts with customers	<u>5,213,836</u>	<u>4,775,814</u>
Rental income (included in agriculture-related segment)	187,100	165,824
Investment income	1,376	906
	<u>5,402,312</u>	<u>4,942,544</u>

Rental income represents the operating lease income with fixed lease payments.

4. Other Income, Gains and Losses

	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	727	1,096
Other interest income	698	1,272
Government grants *	4,515	21,924
Exchange gain	4,206	8,150
Net unrealised gain on fair value changes of investment properties	71,406	122,820
Net reversal of impairment of property, plant and equipment	2,786	9,391
Impairment of intangible assets	(13,058)	-
Net impairment of trade receivables	(2,924)	(14,384)
Net loss on disposal of property, plant and equipment	(764)	(1,802)
Fair value loss on investments mandatorily measured at fair value through profit or loss		
- Investments held for trading	<u>(1,045)</u>	<u>(3,922)</u>

* Included in the government grants are COVID-19 subsidies of HK\$4,515,000 (2020: HK\$17,061,000) received from the Group's overseas operations. During the year ended 31 December 2020, the Group received COVID-19 subsidies of HK\$4,863,000 related to Employment Support Scheme provided by the Hong Kong government.

5. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK\$1,069.5 million (2020: HK\$1,019.9 million) of which HK\$497.9 million (2020: HK\$479.4 million) relating to direct labor costs were included in cost of sales.

6. Other Expenses

	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000
Included in other expenses are:		
Auditor's remuneration	13,198	12,667
Clinical trial and laboratory expenses	110,982	107,382
Freight and delivery expenses	295,666	264,255
Information technology expenses	27,842	27,965
Insurance expenses	33,350	33,619
Professional, legal and consultancy expenses	44,448	47,769
Selling, promotion, advertising and related expenses	<u>71,291</u>	<u>62,982</u>

7. Finance Costs

	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings	59,389	85,734
Other borrowings	15,305	22,116
Lease liabilities	23,129	20,876
	<u>97,823</u>	<u>128,726</u>

8. Taxation

	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000
The tax expenses/(credit) for the year represent:		
Current tax		
Hong Kong	137	184
Other jurisdictions	41,092	39,387
Over provision in prior years		
Hong Kong	(12)	-
Other jurisdictions	(238)	(796)
Deferred tax		
Hong Kong	-	-
Other jurisdictions	34,459	(44,877)
	<u>75,438</u>	<u>(6,102)</u>

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.

9. 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:

	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000
Profit for the year attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	<u>162,801</u>	<u>125,234</u>
Number of shares		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	<u>9,611,073,000</u>	<u>9,611,073,000</u>

Diluted earnings per share for the years ended 31 December 2021 and 31 December 2020 are the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding.

10. Dividends

A final dividend for the year ended 31 December 2021 of HK\$0.01 per share (2020: HK\$0.01 per share) with an aggregate amount of HK\$96,111,000 (2020: HK\$96,111,000) had been proposed by the Directors. It is subject to approval by the shareholders in the forthcoming general meeting.

11. Receivables and Prepayments

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Trade receivables related to:		
- Sales of goods	848,104	771,479
- Operating leases	1,741	3,938
	<u>849,845</u>	<u>775,417</u>
Less: provision for impairment	<u>(6,908)</u>	<u>(12,061)</u>
	842,937	763,356
Other receivables, deposits and prepayments	<u>164,235</u>	<u>163,663</u>
	<u>1,007,172</u>	<u>927,019</u>

The following is an analysis of trade receivables by age, presented based on invoice dates:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
0 - 90 days	761,264	718,412
Over 90 days	81,673	44,944
	<u>842,937</u>	<u>763,356</u>

12. Payables and Accruals

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Trade payables	278,991	314,129
Other payables and accrued charges	462,853	491,957
	<u>741,844</u>	<u>806,086</u>

The following is an analysis of trade payables by age, presented based on invoice dates:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
0 - 90 days	271,759	306,503
Over 90 days	7,232	7,626
	<u>278,991</u>	<u>314,129</u>

13. Segment Information

The Group's reportable segments and other information required under HKFRS 8 are summarised as follows:

(a) Reportable segment information

	Agriculture-related		Health		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	2,278,643	2,126,910	3,122,293	2,814,728	1,376	906	5,402,312	4,942,544
Segment results	337,466	316,359	235,837	146,159	-	-	573,303	462,518
Unallocated other income, gains or losses							(4,227)	6,800
Research and development expenditure							(157,269)	(149,773)
Corporate expenses							(75,745)	(71,693)
Finance costs							(97,823)	(128,726)
Profit before taxation							238,239	119,126
Taxation							(75,438)	6,102
Profit for the year							162,801	125,228
Other information								
Interest income	615	315	698	1,284	112	769	1,425	2,368
Amortisation of intangible assets	(6,452)	(6,127)	(1,138)	(1,001)	-	-	(7,590)	(7,128)
Depreciation	(133,187)	(118,053)	(96,643)	(86,108)	(9,464)	(9,076)	(239,294)	(213,237)
Net impairment of trade receivables	(540)	(312)	(2,384)	(14,072)	-	-	(2,924)	(14,384)
Net gain/(loss) on disposal of property, plant and equipment	126	194	(875)	(12)	(15)	(1,984)	(764)	(1,802)
Net unrealised gain on fair value changes of investment properties	71,406	122,820	-	-	-	-	71,406	122,820
Net reversal of impairment of property, plant and equipment	2,786	9,391	-	-	-	-	2,786	9,391
Impairment of intangible assets	(13,058)	-	-	-	-	-	(13,058)	-

(b) Geographical information

Revenue is analysed by the Group's sales by geographical market while the carrying amount of non-current assets is analysed by the geographical area in which the assets are located.

	Revenue (note i)		Non-current assets (note ii)	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Asia Pacific	3,131,163	2,811,575	5,271,695	5,351,797
North America	2,269,773	2,130,063	3,218,132	3,244,329
	<u>5,400,936</u>	<u>4,941,638</u>	<u>8,489,827</u>	<u>8,596,126</u>

Notes :

- i. Revenue excluding investment income generated from financial instruments.
- ii. Non-current assets excluding deferred tax assets.

The major countries where the group companies domiciled include China (including Hong Kong), Australia, New Zealand, USA and Canada.

The Group does not have any material sales (excluding investment income generated from financial instruments) to countries other than those in which the Group companies are domiciled. There are no material non-current assets (excluding deferred tax assets) which are located in countries other than those in which the Group companies are domiciled.

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

During the year ended 31 December 2021, 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 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") which was in force throughout the year ended 31 December 2021.

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 Company has established the Whistleblowing Policy – Procedures for Reporting Possible Improprieties, which has been revised from time to time. 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.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established the audit committee ("Audit Committee") on 26 June 2002 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code.

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Kwan Kai Cheong (Chairman of the Audit Committee), 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 annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

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 an Independent Non-executive Director, Mrs. Kwok Eva Lee (Chairperson of the Remuneration Committee), the Chairman of the Board, Mr. Victor T K Li, and an Independent Non-executive Director, Mr. Colin Stevens Russel.

NOMINATION COMMITTEE

The Company established the nomination committee (“Nomination Committee”) on 1 January 2019 which currently comprises a majority of Independent Non-executive Directors and is chaired by an Independent Non-executive Director. The Nomination Committee comprises an Independent Non-executive Director, Mr. Paul Joseph Tighe (Chairman of the Nomination Committee), the Chairman of the Board, Mr. Victor T K Li, and an Independent Non-executive Director, Mr. Donald Jeffrey Roberts.

SUSTAINABILITY COMMITTEE

The Company established its sustainability committee (“Sustainability Committee”) on 1 December 2020 with members comprised of an Executive Director, an Independent Non-executive Director and the Company Secretary to oversee management and advise the Board on the development and implementation of the sustainability initiatives of the Group, including reviewing the related environment, social and governance (“ESG”) policies and practices, and assessing and making recommendations on matters concerning the Group’s sustainability development and ESG risks. The Sustainability Committee comprises an Executive Director, Mr. Ip Tak Chuen, Edmond (Chairman of the Sustainability Committee), an Independent Non-executive Director, Mr. Paul Joseph Tighe, and the Company Secretary, Ms. Eirene Yeung.

ANNUAL GENERAL MEETING

The 2022 Annual General Meeting (“2022 AGM”) of the shareholders of the Company will be held on Tuesday, 17 May 2022. Details of the arrangements will be provided in the Company’s Circular in relation to the 2022 AGM which will be published and despatched to the shareholders in accordance with the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 12 May 2022 to Tuesday, 17 May 2022, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2022 Annual General Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company’s Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 11 May 2022.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 23 May 2022, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. Monday, 23 May 2022.

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), Mr. Paul Joseph Tighe (Independent Non-executive Director) and Mr. Donald Jeffrey Roberts (Independent Non-executive Director).