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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 2022

2022 FIRST HALF RESULTS

For the six months ended 30 June 2022, CK Life Sciences Int'l. (Holdings) Inc. (“CK Life Sciences” or the “Company”) recorded unaudited profit attributable to shareholders of around HK\$65.1 million, a decline of 35% as compared with the corresponding period last year.

In the first half of 2022, the deterioration in the operating environment in the respective markets in which we operate is the worst we have seen since the beginning of the pandemic. Resurgence of sporadic spikes in COVID-19 infections disrupted workforce attendance. Inflation remained high at levels unseen in recent years. Partial lockdowns in Mainland China to contain COVID-19 infections exacerbated supply chain interruptions with port congestion and soaring transport rates. The cost and availability of raw materials became highly unpredictable. These factors, together with shortage and escalating cost of labour, presented significant challenges to business operations.

COVID-19 challenges affected R&D activities to a lesser extent, enabling us to achieve steady progress in pharmaceutical R&D with minor delays.

The Board of Directors has not declared any interim dividend for the period under review (2021: Nil).

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 Vaccine R&D

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 U.S. subsidiary, Polynoma LLC ("Polynoma"), for the adjuvant treatment of patients 60 years and younger with Stage IIB or IIC melanoma, following definitive surgical resection.

The COVID-19 pandemic and related supply chain disruptions have impacted the progress of development of seviprotimut-L, especially the manufacturing of drug product. Nonetheless, Polynoma hopes to commence its pivotal Phase 3 clinical study as soon as feasible. The pivotal clinical study has already received the green light from the U.S. Food and Drug Administration ("US FDA") to commence, under a Special Protocol Assessment agreement. Polynoma also plans to submit the clinical trial protocol for regulatory approval in other countries where there is a high incidence of melanoma.

At the preclinical development stage, the Company has multiple cancer vaccine R&D projects underway and aims to advance new cancer vaccine candidates into clinical testing in the coming years. These novel cancer vaccines are designed based on different tumour antigens, immune checkpoint proteins and other target proteins in the tumour microenvironment.

Pain Management R&D

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 allowed the start of a Phase III clinical trial of Halneuron[®] for Chemotherapy-induced Neuropathic Pain (CINP). 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 has initiated an Asian/North American clinical trial of Halneuron[®], which will further evaluate the duration of pain reduction in patients with moderate to severe CINP. This multinational clinical study will also explore potential inter-regional differences in response to Halneuron[®]. Enrollment of patients has already commenced.

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

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. Labour, supply chain and cost escalation difficulties had a noticeable impact on profit in the nutraceutical business segment, which was 27% lower than the corresponding period last year.

Vitaquest is an industry-leading development and commercialisation partner for the nutraceutical and functional food markets, with production facilities located in the state of New Jersey, the United States. In the face of materials and labour shortage and soaring prices, Vitaquest focused on working with customers to effect price increases to reduce the squeeze on margin while maintaining order flow against the backdrop of high trade inventory.

The company also focused on maintaining differentiation from competitors with continuous investment in a high standard of manufacturing and robust quality processes and infrastructure. In addition to installing a high-output tablet press and automated product inspection machine, in April 2022 Vitaquest renewed a full Food Safety certification based on FSSC 22000 audit standards, a certification extremely sought after in the industry that will help strengthen attraction to customers.

SNAG is one of Canada's longest established companies specialising in progressive natural health solutions. During the period under review, it adjusted to evolving consumer buying habits by focusing on development of its online presence and product categories such as Energy, Diet and Joint Care. An initiative to rejuvenate the visual appeal of the brand has received positive feedback from retailers and will roll out in the second half of the year.

Lipa, one of the largest contract manufacturers of complementary healthcare medicines, vitamins, and nutritional supplements in Australia, is located in New South Wales. By working with major customers building growth in Asia and internationally, leveraging demand for immunity products, it mitigated the impact of negative market factors and achieved growth over last year.

AGRICULTURE-RELATED BUSINESS

The Company's 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. Profit in the segment was 9% lower than in the same period last year.

Australian Agribusiness comprises businesses in the manufacturing, wholesale, and retail of agriculture-related products. Although COVID-19 inconveniences continued to impact operations via supply chain constraints, demand for plant protection products remained strong. On the other hand, Home Garden, Pest & Turf Management demand was badly affected by multiple extreme weather events, for example persistent raining in the states of Queensland and New South Wales of Australia.

Demand for products in Cheetham remained strong in all markets, and some opportunities to grow market share emerged, as customers in Australia & New Zealand increased purchasing of locally produced salt for better security of supply. However, constraints in both road and rail transport within domestic markets, and containerised and bulk sea freight into export markets, have eroded margin and compromised ability to supply some sectors. Tight cost management and implementation of a comprehensive pricing strategy partially offset the financial impact of these challenges.

Protected by long leases with reputable wine companies as tenants, the vineyard business was not affected by challenges other operating units faced, generating stable and recurrent cashflow in rental income. Our tenants experienced steady demand for grapes despite ongoing trade restrictions with Mainland China, with a softening in the market for red grapes being offset by the strength of demand for white grapes.

SUBSEQUENT EVENT – INVESTMENT IN CANCER DIAGNOSTICS

On 25 July 2022, the Company announced an investment in cancer diagnostics through an agreement to subscribe for Series A2 Preferred Shares in Pharus, Inc. (“Pharus”), a wholly-owned subsidiary of Quark Biosciences, Inc. With the share subscription, the Company holds approximately 18.33% of the total issued share capital of Pharus. The focus of Pharus is on research, development and commercialisation of molecular diagnostics for the early detection of cancer, with the priority of developing OncoSweep™, a cancer liquid biopsy test for Multi-Cancer Early Detection as well as single-cancer liquid biopsy tests for the detection of cancers prevalent in Asia.

PROSPECTS

Midway through the year, there are signs that negative operating factors in the macro environment are stabilising. We are also hopeful that strategies adopted in the first half in response to new market conditions will flow through to results in the rest of the year.

Progress in the Company’s preclinical cancer immunotherapy and clinical stage projects, and the broadening of our R&D efforts into diagnostics, provide diverse opportunities for creation of future value.

Our sustainable business model in which funds from operating businesses support the advancement of healthcare research activities remains robust. We endeavour to bring R&D initiatives to fruition as soon as possible, and proactively review priorities in funding deployment to achieve this goal.

I would like to take this opportunity to thank members of the Board for their ongoing contribution, our valued staff and our stakeholders for their continued support. In particular, I would like to extend my utmost gratitude to our management members and employees who have worked tirelessly to resolve numerous challenges in the market to maintain efficient and satisfactory operations.

Victor T K Li
Chairman

Hong Kong, 2 August 2022

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 30 June 2022, the total assets of the Group were about HK\$11,395.7 million, of which bank balances and time deposits were about HK\$847.1 million and treasury investments were about HK\$11.7 million.

At the end of the period under review, the total liabilities of the Group were HK\$7,098.1 million, comprising bank borrowings amounted to HK\$5,623.8 million. These borrowings were mainly used for financing the acquisition of overseas businesses as well as providing general working capital for some of the overseas businesses. The total interest expenses on bank borrowings of the Group for the six months ended 30 June 2022 were HK\$40.4 million.

As at 30 June 2022, the net debt to net total capital ratio of the Group was approximately 52.64%, 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 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.

The Group's treasury investments are denominated in Hong Kong dollars, and thus there is no exchange rate risk associated with such investments. Most of the Group's borrowings are principally on a floating rate basis. To minimise its interest rate risk, the Group has been regularly and closely monitoring its overall net debt position, and reviewing its funding costs and loan maturity profile so as to facilitate refinancing whenever appropriate.

Charge on Assets

As at 30 June 2022, certain assets of the Group's subsidiary companies with a carrying value of HK\$1,096.6 million were pledged as part of the security for bank borrowings totalling HK\$313.8 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\$58.8 million for the period ended 30 June 2022.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 30 June 2022, the total capital commitments by the Group amounted to HK\$71.2 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 1,829 as at 30 June 2022, and is 44 less than the total headcount of 1,873 as at 30 June 2021. The total staff costs, including director's emoluments, amounted to approximately HK\$515.8 million for the six months ended 30 June 2022, which represents a decrease of 5% as compared to the same period in 2021. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2021.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2022.

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2022	2021
		(unaudited) HK\$'000	(unaudited) HK\$'000
Revenue	3	2,540,582	2,638,388
Cost of sales		(1,758,860)	(1,815,812)
		781,722	822,576
Other income, gains and losses		26,078	18,128
Staff costs	4	(275,589)	(297,629)
Depreciation		(49,685)	(54,363)
Amortisation of intangible assets		(1,990)	(3,923)
Other expenses		(322,719)	(297,507)
Finance costs		(52,201)	(48,854)
Share of results of a joint venture		492	467
Profit before taxation		106,108	138,895
Taxation	5	(40,990)	(38,501)
Profit for the period	6	65,118	100,394
Attributable to:			
Shareholders of the Company		65,120	100,394
Non-controlling interests of a subsidiary		(2)	-
		65,118	100,394
Earnings per share	7		
- Basic		0.68 cents	1.04 cents
- Diluted		0.68 cents	1.04 cents

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>65,118</u>	<u>100,394</u>
Other comprehensive expenses		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	<u>(172,300)</u>	<u>(9,463)</u>
Other comprehensive expenses for the period	<u>(172,300)</u>	<u>(9,463)</u>
Total comprehensive (expenses)/income for the period	<u>(107,182)</u>	<u>90,931</u>
Attributable to:		
Shareholders of the Company	(107,180)	90,931
Non-controlling interests of a subsidiary	<u>(2)</u>	<u>-</u>
	<u>(107,182)</u>	<u>90,931</u>

Condensed Consolidated Statement of Financial Position

		As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
	Notes	HK\$'000	HK\$'000
Non-current assets			
Investment properties	9	1,978,535	2,047,858
Property, plant and equipment	10	2,254,399	2,334,510
Right-of-use assets	11	400,642	430,869
Intangible assets	12	3,644,226	3,670,797
Interests in a joint venture		6,136	5,793
Deferred taxation		75,752	72,041
		8,359,690	8,561,868
Current assets			
Equity investments		11,669	11,669
Tax recoverable		9,800	5,635
Inventories		1,246,627	1,253,873
Receivables and prepayments	13	920,823	1,007,172
Bank balances and deposits		847,086	890,801
		3,036,005	3,169,150
Current liabilities			
Payables and accruals	13	(644,342)	(741,844)
Bank borrowings	14	(1,236,000)	(1,224,000)
Lease liabilities		(69,769)	(69,108)
Taxation		(54,053)	(40,150)
		(2,004,164)	(2,075,102)
Net current assets		1,031,841	1,094,048
Total assets less current liabilities		9,391,531	9,655,916

Condensed Consolidated Statement of Financial Position (cont'd)

		As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
	Notes	<u>HK\$'000</u>	<u>HK\$'000</u>
Non-current liabilities			
Bank borrowings	14	(4,387,787)	(4,412,893)
Lease liabilities		(476,691)	(507,005)
Deferred taxation		(220,252)	(223,765)
Retirement benefit obligations		(9,250)	(11,409)
		<u>(5,093,980)</u>	<u>(5,155,072)</u>
Total net assets		<u>4,297,551</u>	<u>4,500,844</u>
Capital and reserves			
Share capital	15	961,107	961,107
Share premium and reserves		3,339,186	3,542,477
		<u>4,300,293</u>	<u>4,503,584</u>
Equity attributable to shareholders of the Company		<u>4,300,293</u>	<u>4,503,584</u>
Non-controlling interests of a subsidiary		(2,742)	(2,740)
		<u>4,297,551</u>	<u>4,500,844</u>
Total equity		<u>4,297,551</u>	<u>4,500,844</u>

Condensed Consolidated Statement of Changes in Equity

	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 a subsidiary	Total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
2021										
At 1 January 2021	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 period	-	-	-	-	-	-	100,394	100,394	-	100,394
Exchange differences arising from translation of foreign operations	-	-	-	(9,463)	-	-	-	(9,463)	-	(9,463)
Total comprehensive (expenses)/income for the period	-	-	-	(9,463)	-	-	100,394	90,931	-	90,931
Dividends paid to the shareholders of the Company – 2020 final dividend HK\$0.01 per share	-	(96,111)	-	-	-	-	-	(96,111)	-	(96,111)
At 30 June 2021	961,107	3,282,546	(103,347)	(1,050,486)	41,885	(541,036)	2,125,350	4,716,019	(2,740)	4,713,279
2022										
At 1 January 2022	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
Profit for the period	-	-	-	-	-	-	65,120	65,120	(2)	65,118
Exchange differences arising from translation of foreign operations	-	-	-	(172,300)	-	-	-	(172,300)	-	(172,300)
Total comprehensive (expenses)/income for the period	-	-	-	(172,300)	-	-	65,120	(107,180)	(2)	(107,182)
Dividends paid to the shareholders of the Company – 2021 final dividend HK\$0.01 per share	-	(96,111)	-	-	-	-	-	(96,111)	-	(96,111)
At 30 June 2022	961,107	3,186,435	(103,347)	(1,497,297)	41,885	(541,036)	2,252,546	4,300,293	(2,742)	4,297,551

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Net cash from operating activities	214,018	29,566
Net cash outflow from investing activities	(63,122)	(131,963)
Net cash outflow from financing activities	(184,467)	(183,896)
Decrease in cash and cash equivalents	(33,571)	(286,293)
Cash and cash equivalents at beginning of the period	890,801	958,998
Effect of foreign exchange rate changes	(10,144)	314
Cash and cash equivalents at end of the period	<u>847,086</u>	<u>673,019</u>

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 2021 (the “2021 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 2021 Financial Statements. The adoption of such new and revised HKFRSs has no material impact on the accounting policies in the Group’s interim financial statements for the period.

3. Revenue and Segment Information

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

A. Revenue

	For the six months ended 30 June	
	2022	2021
	HK\$’000	HK\$’000
Sales of goods:		
Agriculture-related	967,190	1,038,959
Health	1,482,653	1,502,205
Revenue from contracts with customers	<u>2,449,843</u>	<u>2,541,164</u>
Rental income (included in agriculture-related segment)	90,251	96,318
Investment income	488	906
	<u>2,540,582</u>	<u>2,638,388</u>

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	
	2022	2021
	HK\$'000	HK\$'000
Segment results		
Agriculture-related	120,676	132,423
Health	136,440	187,938
	<u>257,116</u>	<u>320,361</u>
Unallocated other income, gains or losses	(6,474)	4,211
Research and development expenditure	(58,769)	(97,711)
Corporate expenses	(33,564)	(39,112)
Finance costs	(52,201)	(48,854)
Profit before taxation	<u>106,108</u>	<u>138,895</u>
Taxation	(40,990)	(38,501)
Profit for the period	<u><u>65,118</u></u>	<u><u>100,394</u></u>

4. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the six months ended 30 June 2022 amounted to HK\$515.8 million (2021: HK\$542.2 million) of which HK\$240.2 million (2021: HK\$244.6 million) relating to direct labor costs were included in cost of sales.

5. Taxation

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current tax		
Hong Kong	21	121
Other jurisdictions	40,711	8,495
Deferred tax		
Other jurisdictions	258	29,885
	<u>40,990</u>	<u>38,501</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.

6. Profit for the Period

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period has been arrived at after crediting:		
Included in revenue:		
Rental income from investment properties	90,251	96,318
Included in other income, gains and losses:		
Interest income from bank deposits	1,048	353
Fair value loss on investments mandatorily measured at fair value through profit or loss	-	(1,394)

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	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	<u>65,118</u>	<u>100,394</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 periods ended 30 June 2022 and 2021 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 2022 (2021: Nil).

9. Investment Properties

	HK\$'000
Valuation	
At 1 January 2022	2,047,858
Additions	2,518
Exchange differences	(71,841)
At 30 June 2022	<u>1,978,535</u>

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 2022	639,592	694,976	516,446	134,321	1,259,732	187,928	284,477	3,717,472
Additions	264	1,376	968	51,607	7,762	1,749	-	63,726
Reclassification	1,021	-	418	(33,636)	22,669	5,074	4,454	-
Disposals/write-off	(18)	-	-	(116)	(4,337)	(2,119)	(51)	(6,641)
Exchange differences	(17,334)	(23,819)	(15,653)	(3,717)	(28,148)	(1,927)	(1,343)	(91,941)
At 30 June 2022	623,525	672,533	502,179	148,459	1,257,678	190,705	287,537	3,682,616
Depreciation and impairment								
At 1 January 2022	129,450	289,415	-	-	694,139	148,070	121,888	1,382,962
Provided for the period	6,778	13,934	-	-	41,598	7,884	6,839	77,033
Eliminated upon disposals/write-off	-	-	-	-	(3,492)	(2,083)	(51)	(5,626)
Exchange differences	(2,148)	(9,359)	-	-	(12,743)	(1,306)	(596)	(26,152)
At 30 June 2022	134,080	293,990	-	-	719,502	152,565	128,080	1,428,217
Carrying values								
At 30 June 2022	<u>489,445</u>	<u>378,543</u>	<u>502,179</u>	<u>148,459</u>	<u>538,176</u>	<u>38,140</u>	<u>159,457</u>	<u>2,254,399</u>
At 31 December 2021	<u>510,142</u>	<u>405,561</u>	<u>516,446</u>	<u>134,321</u>	<u>565,593</u>	<u>39,858</u>	<u>162,589</u>	<u>2,334,510</u>

11. Right-of-use Assets

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Land and buildings	378,773	411,634
Machinery and equipment	16,160	12,757
Furniture, fixtures and other assets	5,709	6,478
	<u>400,642</u>	<u>430,869</u>

12. 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 2022	424,118	139	2,816,894	127,528	375,120	320,293	26,638	4,090,730
Additions	-	-	-	-	-	-	220	220
Exchange differences	(683)	(3)	(14,779)	(2,491)	(3,949)	(7,435)	(371)	(29,711)
At 30 June 2022	423,435	136	2,802,115	125,037	371,171	312,858	26,487	4,061,239
Amortisation and impairment								
At 1 January 2022	479	116	-	-	374,427	28,980	15,931	419,933
Provided for the period	-	-	-	-	697	-	1,293	1,990
Exchange differences	(2)	(3)	-	-	(3,953)	(671)	(281)	(4,910)
At 30 June 2022	477	113	-	-	371,171	28,309	16,943	417,013
Carrying values								
At 30 June 2022	422,958	23	2,802,115	125,037	-	284,549	9,544	3,644,226
At 31 December 2021	423,639	23	2,816,894	127,528	693	291,313	10,707	3,670,797

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 2022	As at 31 December 2021
	HK\$'000	HK\$'000
Trade receivables		
0 - 90 days	710,456	761,264
Over 90 days	48,566	81,673
	759,022	842,937
Trade payables		
0 - 90 days	219,571	271,759
Over 90 days	2,104	7,232
	221,675	278,991

14. Bank Borrowings

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

15. Share Capital

	Number of share of HK\$0.1 each	Nominal value
	'000	HK\$'000
Authorised		
At 31 December 2021 and 30 June 2022	15,000,000	1,500,000
Issued and fully paid		
At 31 December 2021 and 30 June 2022	9,611,073	961,107

16. 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 2022				
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	11,669	-	-	11,669
As at 31 December 2021				
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	11,669	-	-	11,669

There were no transfers between Levels 1 and 2, or transfers into or out of Level 3 during the six months ended 30 June 2022 and 2021.

17. 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 2022:

- (i) The Group made sales of HK\$22.3 million (2021: HK\$17.9 million) to Hutchison International Limited (“HIL”) group. HIL is an indirect wholly-owned subsidiary of a substantial shareholder of the Company, CK Hutchison Holdings Limited.
- (ii) The Group made sales of HK\$2.1 million (2021: HK\$2.0 million) to a joint venture 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 2022, 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") throughout the six months ended 30 June 2022.

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

The Group's interim results for the six months ended 30 June 2022 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 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 with a majority of the members thereof being Independent Non-executive Directors. 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.

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).