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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 2021

2021 FIRST HALF RESULTS

For the six months ended 30 June 2021, CK Life Sciences Int'l. (Holdings) Inc. (“CK Life Sciences” or the “Company”) recorded unaudited profit attributable to shareholders of around HK\$100 million, an increase of 15% as compared with the corresponding period last year.

Despite challenges posed by COVID-19, CK Life Sciences increased investments/expenses in pharmaceutical R&D, and the progress has been steady as planned.

In regard to nutraceutical and agriculture-related businesses, our key markets in North America and Australia/ New Zealand have been affected by the COVID-19 pandemic. Against a backdrop of lockdowns, labour shortage and supply chain disruptions, both nutraceutical and agriculture-related businesses overcame difficulties and recorded sales growth.

The Board of Directors has not declared any interim dividend for the period under review (2020: Nil).

PHARMACEUTICAL RESEARCH AND DEVELOPMENT

CK Life Sciences’ pharmaceutical operations conduct research and development in cancer vaccines and pain management.

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

Cancer Vaccines R&D

The Company is engaged in the research and development of cancer vaccines which stimulate the immune system to fight cancer.

Preclinical Cancer Vaccine R&D

Multiple cancer vaccine R&D projects are being carried out with research organisations in Taiwan, Mainland China and other locations. These novel cancer vaccines are designed based on different tumour antigens, immune checkpoint proteins and other target proteins in the tumour microenvironment. The Company aims to advance these cancer vaccines into clinical testing in the coming years.

Clinical-Stage Cancer Vaccine R&D

The most advanced cancer vaccine in our pipeline is seviprotimut-L, a proprietary polyvalent therapeutic cancer vaccine being developed by our US subsidiary, Polynoma LLC (“Polynoma”), for the treatment of melanoma. Comprising a combination of multiple melanoma-associated antigens, seviprotimut-L works by triggering the body’s immune system to develop antigen-specific antibody and T cell responses against melanoma cells, thereby delaying or preventing recurrence after surgical resection.

The COVID-19 pandemic resulted in a worldwide scramble for manufacturing capacity for COVID-19 vaccines and made it difficult to accelerate production of clinical trial material. Fortunately, with worldwide manufacturing capacity ramped up, Polynoma has been able to kick-start the manufacturing of seviprotimut-L for the pivotal efficacy clinical trial of seviprotimut-L for the adjuvant treatment of resected Stage IIB/IIC melanoma.

Preparation of the protocol for the pivotal efficacy clinical trial is underway, and the protocol is on track for submission to the United States Food and Drug Administration (US FDA) imminently for Special Protocol Assessment (SPA). SPA is a process by which companies reach agreement with the US FDA that the design, endpoints and statistical analysis methods of a clinical trial are acceptable for FDA approval.

Pain Management R&D

WEX Pharmaceuticals Inc. (“WEX Pharma”), our Canadian subsidiary, is developing Halneuron™, an analgesic based on the puffer fish toxin, tetrodotoxin. Halneuron™ acts by blocking Nav1.7 voltage-gated sodium channels and is potentially a first-in-class drug approved for the treatment of pain. The product is being researched as a pain management solution that can be used to address many different types of pain. As uncontrolled chronic pain is a major unmet medical need globally, the market potential for new pain management solutions is significant.

As an initial indication, WEX Pharma is targeting Halneuron™ to be a treatment for Chemotherapy-induced Neuropathic Pain (CINP). There is currently no specific US FDA-approved medication for CINP. The US FDA and Health Canada have both greenlighted the start of a Phase III clinical trial of Halneuron™ for CINP. The Company aims to commence the Phase III clinical trial at the appropriate time, recognizing the need for prioritization of spending among the various R&D projects and challenges in recruiting patients during the COVID-19 pandemic. In the meantime, planning for an Asian clinical trial of Halneuron™ is underway.

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. The nutraceutical business segment generated increased revenue of 9% over the corresponding period last year.

Vitaquest's production facilities are located in the state of New Jersey, the United States. During the first six months, Vitaquest succeeded in delivering higher volumes of output despite some social distancing and group activity restrictions. Availability of labour remained a challenge. Economic Impact Payments, financial assistance and unemployment benefits specific for COVID-19 offered by the government reduced the numbers of workers actively seeking employment. Together with supply chain interruptions, the labour shortage made it difficult for Vitaquest to take full advantage of market demand.

SNAG is one of the largest and longest established natural health companies in Québec, Canada. Québec continued to experience an unstable COVID-19 situation. Reduced traffic in retail pharmacies due to restrictions exerted pressure on sales. Faced with unstable retail operating conditions, SNAG continued its development of new products and sales online.

Lipa, one of the largest contract manufacturers of complementary healthcare medicines, vitamins, and nutritional supplements in Australia, is located in New South Wales. Sporadic outbreaks and slow uptake of vaccination in Australia resulted in intermittent lockdowns. In addition, supply chain interruptions and labour shortage have affected Lipa's production output and margins. Recently, the surge in COVID-19 cases again led to the imposition of another phase of lockdown and reaction measures in New South Wales and Victoria.

AGRICULTURE-RELATED BUSINESS

In the first half of 2021, despite the COVID-19 disruptions, agriculture-related businesses recorded an increase of 13% in revenue in comparison with the same period last year. The agricultural sector benefited from favourable climatic and growing conditions.

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.

Australian Agribusiness comprises businesses in the manufacturing, wholesale and retail of agriculture-related products. While recurring waves of COVID-19 brought inconvenience to operations, demand in plant protection, nutrition and pest management provided impetus to sales. Throughout the period under review, home garden and pest management demonstrated good growth, capitalising on heightened interest in home improvement and post-drought pest infestations.

Cheetham's operations during the period under review remained satisfactory. It maintained its leadership position in the Australia and New Zealand markets.

The vineyard business generated a stable and recurrent cashflow in rental income. The two vineyards in South Australia acquired in 2020 contributed full first-half revenue to the Company.

PROSPECTS

Against the backdrop of COVID-19 related challenges, CK Life Sciences progressed well in pharmaceutical R&D and recorded modest improvement in financial performance in the first half of 2021.

Our business model is one in which funds from our investment portfolio support the advancement of pharmaceutical research activities. This model remains sustainable. We are committed to bringing the R&D initiatives to fruition, and are proactively reviewing deployment of appropriate funding to achieve this goal. As the COVID-19 pandemic slowly improves, the Company's R&D activities for seviprotimut-L, vaccines for other cancer types and Halneuron™ will continue apace.

On the business front, given the sound fundamentals of our nutraceutical and agriculture-related businesses and assuming a gradually improving operating condition, we can expect growth trend to continue.

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 hard to overcome the hurdles to maintain efficient operations during this extraordinary period.

Victor T K Li
Chairman

Hong Kong, 3 August 2021

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 30 June 2021, the total assets of the Group were about HK\$11,839.1 million, of which bank balances and time deposits were about HK\$673.0 million and treasury investments were about HK\$11.3 million. The bank interest generated for the first six months of 2021 was HK\$0.4 million.

At the end of the period under review, the total liabilities of the Group were HK\$7,125.8 million, comprising bank and other borrowings amounted to HK\$5,600.6 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. The total interest expenses on bank and other borrowings of the Group for the six months ended 30 June 2021 were HK\$38.1 million.

As at 30 June 2021, the net debt to net total capital ratio of the Group was approximately 51.11%, 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\$0.49 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 2021, certain assets of the Group's subsidiary companies with a carrying value of HK\$1,073.2 million were pledged as part of the security for bank borrowings totalling HK\$340.6 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\$97.7 million for the period ended 30 June 2021.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 30 June 2021, the total capital commitments by the Group amounted to HK\$71.7 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 1,873 as at 30 June 2021, and is 100 more than the total headcount of 1,773 as at 30 June 2020. The total staff costs, including director's emoluments, amounted to approximately HK\$542.2 million for the six months ended 30 June 2021, which represents an increase of 8% as compared to the same period in 2020. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2020.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2021.

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2021	2020
		(unaudited) HK\$'000	(unaudited) HK\$'000
Revenue	3	2,638,388	2,379,530
Cost of sales		(1,815,812)	(1,620,376)
		822,576	759,154
Other income, gains and losses		18,128	(730)
Staff costs	4	(297,629)	(264,899)
Depreciation		(54,363)	(47,448)
Amortisation of intangible assets		(3,923)	(3,432)
Other expenses		(297,507)	(240,362)
Finance costs		(48,854)	(76,285)
Share of results of a joint venture		467	952
Profit before taxation		138,895	126,950
Taxation	5	(38,501)	(39,509)
Profit for the period	6	100,394	87,441
Attributable to:			
Shareholders of the Company		100,394	87,441
Earnings per share	7		
- Basic		1.04 cents	0.91 cents
- Diluted		1.04 cents	0.91 cents

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>100,394</u>	<u>87,441</u>
Other comprehensive expenses		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	<u>(9,463)</u>	<u>(55,553)</u>
Other comprehensive expenses for the period	<u>(9,463)</u>	<u>(55,553)</u>
Total comprehensive income for the period	<u><u>90,931</u></u>	<u><u>31,888</u></u>
Attributable to:		
Shareholders of the Company	<u><u>90,931</u></u>	<u><u>31,888</u></u>

Condensed Consolidated Statement of Financial Position

		As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
	Notes		
Non-current assets			
Investment properties	9	2,046,291	2,032,170
Property, plant and equipment	10	2,378,147	2,349,000
Right-of-use assets	11	432,962	466,774
Intangible assets	12	3,755,508	3,741,656
Interests in a joint venture		6,965	6,526
Deferred taxation		64,403	89,871
		<u>8,684,276</u>	<u>8,685,997</u>
Current assets			
Equity investments		11,320	12,714
Tax recoverable		30,351	22,839
Inventories		1,453,441	1,370,102
Receivables and prepayments	13	986,684	927,019
Bank balances and deposits		673,019	958,998
		<u>3,154,815</u>	<u>3,291,672</u>
Current liabilities			
Payables and accruals	13	(682,891)	(806,086)
Bank borrowings	14	(924,000)	-
Lease liabilities		(72,247)	(73,701)
Taxation		(40,533)	(35,786)
		<u>(1,719,671)</u>	<u>(915,573)</u>
Net current assets		<u>1,435,144</u>	<u>2,376,099</u>
Total assets less current liabilities		<u>10,119,420</u>	<u>11,062,096</u>

Condensed Consolidated Statement of Financial Position (cont'd)

		As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
	Notes	<u>HK\$'000</u>	<u>HK\$'000</u>
Non-current liabilities			
Bank borrowings	14	(3,576,599)	(4,502,861)
Lease liabilities		(498,870)	(513,939)
Other borrowings	15	(1,100,000)	(1,100,000)
Deferred taxation		(219,821)	(216,623)
Retirement benefit obligations		(10,851)	(10,214)
		<u>(5,406,141)</u>	<u>(6,343,637)</u>
Total net assets		<u>4,713,279</u>	<u>4,718,459</u>
Capital and reserves			
Share capital	16	961,107	961,107
Share premium and reserves		3,754,912	3,760,092
		<u>4,716,019</u>	<u>4,721,199</u>
Equity attributable to shareholders of the Company		<u>4,716,019</u>	<u>4,721,199</u>
Non-controlling interests of a subsidiary		(2,740)	(2,740)
		<u>4,713,279</u>	<u>4,718,459</u>
Total equity		<u>4,713,279</u>	<u>4,718,459</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 subsidiaries	Total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2020										
At 1 January 2020	961,107	3,474,768	(103,347)	(1,519,346)	-	(536,255)	1,900,557	4,177,484	(2,734)	4,174,750
Profit for the period	-	-	-	-	-	-	87,441	87,441	-	87,441
Exchange differences arising from translation of foreign operations	-	-	-	(55,553)	-	-	-	(55,553)	-	(55,553)
Total comprehensive (expenses)/income for the period	-	-	-	(55,553)	-	-	87,441	31,888	-	31,888
Dividends paid to the shareholders of the Company – 2019 final dividend HK\$0.01 per share	-	(96,111)	-	-	-	-	-	(96,111)	-	(96,111)
At 30 June 2020	961,107	3,378,657	(103,347)	(1,574,899)	-	(536,255)	1,987,998	4,113,261	(2,734)	4,110,527
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

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Net cash from operating activities	29,566	125,766
Net cash outflow from investing activities	(131,963)	(239,057)
Net cash (outflow)/inflow from financing activities	(183,896)	20,532
Decrease in cash and cash equivalents	(286,293)	(92,759)
Cash and cash equivalents at beginning of the period	958,998	696,504
Effect of foreign exchange rate changes	314	(7,297)
Cash and cash equivalents at end of the period	673,019	596,448

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 2020 (the “2020 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 2020 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	
	2021	2020
	HK\$’000	HK\$’000
Sales of goods:		
Agriculture-related	1,038,959	922,936
Health	1,502,205	1,378,053
Revenue from contracts with customers	2,541,164	2,300,989
Rental income (included in agriculture-related segment)	96,318	77,635
Investment income	906	906
	<u>2,638,388</u>	<u>2,379,530</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	
	2021	2020
	HK\$'000	HK\$'000
Segment results		
Agriculture-related	132,423	110,624
Health	187,938	187,548
	<u>320,361</u>	<u>298,172</u>
Unallocated other income, gains or losses	4,211	(6,335)
Research and development expenditure	(97,711)	(49,685)
Corporate expenses	(39,112)	(38,917)
Finance costs	(48,854)	(76,285)
Profit before taxation	<u>138,895</u>	<u>126,950</u>
Taxation	(38,501)	(39,509)
Profit for the period	<u>100,394</u>	<u>87,441</u>

4. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the six months ended 30 June 2021 amounted to HK\$542.2 million (2020: HK\$500.6 million) of which HK\$244.6 million (2020: HK\$235.7 million) relating to direct labor costs were included in cost of sales.

5. Taxation

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current tax		
Hong Kong	121	-
Other jurisdictions	8,495	36,683
Deferred tax		
Other jurisdictions	29,885	2,826
	<u>38,501</u>	<u>39,509</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	
	2021	2020
	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit for the period has been arrived at after crediting:		
Included in revenue:		
Rental income from investment properties	96,318	77,635
Included in other income, gains and losses:		
Interest income from bank deposits	353	844
Fair value loss on investments mandatorily measured at fair value through profit or loss	<u>(1,394)</u>	<u>(3,483)</u>

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	
	2021	2020
	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit for the period attributable to shareholders of the Company		
Profit for calculating basic and diluted earnings per share	<u>100,394</u>	<u>87,441</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 2021 and 2020 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 2021 (2020: Nil).

9. Investment Properties

	HK\$'000
Valuation	
At 1 January 2021	2,032,170
Additions	26,795
Exchange differences	(12,674)
At 30 June 2021	<u>2,046,291</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 2021	658,220	714,713	520,787	102,632	1,175,578	182,358	272,346	3,626,634
Additions	417	15,434	14,365	75,596	9,250	4,734	-	119,796
Reclassification	1,653	-	74	(38,860)	23,015	1,284	12,834	-
Disposals/write-off	-	-	-	(99)	(587)	(549)	-	(1,235)
Exchange differences	(3,290)	(4,346)	(2,675)	(1,274)	(3,470)	-	(207)	(15,262)
At 30 June 2021	657,000	725,801	532,551	137,995	1,203,786	187,827	284,973	3,729,933
Depreciation and impairment								
At 1 January 2021	119,177	275,289	-	-	638,185	136,984	107,999	1,277,634
Provided for the period	7,189	15,849	-	-	39,745	7,803	7,940	78,526
Eliminated upon disposals/write-off	-	-	-	-	(363)	(529)	-	(892)
Exchange differences	(491)	(1,581)	-	-	(1,408)	97	(99)	(3,482)
At 30 June 2021	125,875	289,557	-	-	676,159	144,355	115,840	1,351,786
Carrying values								
At 30 June 2021	<u>531,125</u>	<u>436,244</u>	<u>532,551</u>	<u>137,995</u>	<u>527,627</u>	<u>43,472</u>	<u>169,133</u>	<u>2,378,147</u>
At 31 December 2020	<u>539,043</u>	<u>439,424</u>	<u>520,787</u>	<u>102,632</u>	<u>537,393</u>	<u>45,374</u>	<u>164,347</u>	<u>2,349,000</u>

11. Right-of-use Assets

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Land and buildings	410,588	446,046
Machinery and equipment	14,890	11,893
Furniture, fixtures and other assets	7,484	8,835
	<u>432,962</u>	<u>466,774</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 2021	423,776	147,284,492		130,696	384,058	337,504	31,137	4,155,810
Additions	-	-	-	-	-	-	869	869
Exchange differences	7,856	(1)	8,136	1,958	122	(1,196)	208	17,083
At 30 June 2021	431,632	146,285,628		132,654	384,180	336,308	32,214	4,173,762
Amortisation and impairment								
At 1 January 2021	478	122	-	-	378,934	16,775	17,845	414,154
Provided for the period	-	-	-	-	2,227	-	1,696	3,923
Exchange differences	18	-	-	-	102	(57)	114	177
At 30 June 2021	496	122	-	-	381,263	16,718	19,655	418,254
Carrying values								
At 30 June 2021	431,136	24,285,628		132,654	2,917	319,590	12,559	3,755,508
At 31 December 2020	423,298	25,284,492		130,696	5,124	320,729	13,292	3,741,656

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 2021 HK\$'000	As at 31 December 2020 HK\$'000
Trade receivables		
0 - 90 days	738,568	718,412
Over 90 days	67,433	44,944
	806,001	763,356
Trade payables		
0 - 90 days	258,519	306,503
Over 90 days	6,628	7,626
	265,147	314,129

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 1.60% per annum, and is due in January 2024. During the period, total interest expenses of HK\$4.3 million (2020: HK\$6.6 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 1.60% per annum, and is due in January 2024.

16. Share Capital

	Number of share of HK\$0.1 each '000	Nominal value HK\$'000
Authorised		
At 31 December 2020 and 30 June 2021	<u>15,000,000</u>	<u>1,500,000</u>
Issued and fully paid		
At 31 December 2020 and 30 June 2021	<u>9,611,073</u>	<u>961,107</u>

17. Fair Value Measurement of Financial Instruments

Financial Instruments measured at fair value on a recurring basis

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>As at 30 June 2021</u>				
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	<u>11,320</u>	-	-	<u>11,320</u>
<u>As at 31 December 2020</u>				
Financial assets mandatorily measured at fair value through profit or loss				
Non-derivative financial assets held for trading	<u>12,714</u>	-	-	<u>12,714</u>

There were no transfers between Levels 1 and 2, or transfers into or out of Level 3 during the six months ended 30 June 2021 and 2020.

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 2021:

- (i) The Group made sales of HK\$17.9 million (2020: HK\$12.2 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\$2.0 million (2020: HK\$2.1 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 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") throughout the six months ended 30 June 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 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 2021 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 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.

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).