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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 2022**

For the year ended 31 December 2022, CK Life Sciences Int'l., (Holdings) Inc. (“CK Life Sciences” or the “Company”) reported profit attributable to shareholders of HK\$132 million, a reduction of 19% compared with that of 2021. This result was significantly impacted by higher finance costs due to rising interest rates and weakened foreign currencies against the Hong Kong dollar. Had the same interest and foreign exchange rates as 2021 applied, the 2022 profit would have been reported as approximately 41% higher than 2021.

The Board of Directors has recommended a final dividend of HK 0.8 cent per share for the year ended 31 December 2022 (2021: HK 1 cent per share). The proposed dividend will be paid on Monday, 5 June 2023 following approval at the 2023 Annual General Meeting to those shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 24 May 2023.

### **HEALTHCARE RESEARCH AND DEVELOPMENT**

Pharmaceuticals and molecular diagnostics are main areas in which the Company's research and development effort is concentrated. The focus of pharmaceutical R&D is on cancer vaccines and pain management products, while molecular diagnostic R&D projects primarily target early detection of cancer.

#### **Cancer Vaccines**

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.

With the COVID-19 pandemic abating, supply chain disruptions and manpower shortages started to ease in the second half of 2022, allowing Polynoma to make some progress in the manufacturing of drug product for the pivotal Phase III clinical trial. This 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, and Polynoma hopes to do so as soon as feasible.

The Company has begun multiple cancer vaccine R&D projects at the discovery and preclinical development stage and aims to advance new cancer vaccine candidates into clinical testing in the coming years. The design of these novel cancer vaccines is based on different tumour antigens, immune checkpoint proteins and other target proteins in the tumour microenvironment.

In November 2022, the Company also embarked on a strategic R&D collaboration with XtalPi Inc. (“XtalPi”), a Shenzhen-headquartered technology company with expertise in drug discovery powered by Artificial Intelligence (AI) and automation. XtalPi and CK Life Sciences will leverage their respective strengths to jointly develop a novel AI-empowered cancer vaccine R&D platform to improve and accelerate the discovery and development of new cancer vaccines. This partnership is a prime example of cross-border scientific research collaboration supporting the growth of the innovation and technology ecosystem in the Greater Bay Area.

## **Pain Management**

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<sup>®</sup>, 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<sup>®</sup> 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<sup>®</sup>, which is evaluating the duration of pain reduction in patients with moderate to severe CINP. Regulatory approvals to conduct this clinical trial have been received in South Korea, Taiwan, Singapore, Mainland China, Canada and the U.S., and patient enrolment is underway.

## **Cancer Diagnostics**

A new area of interest for the Company is the R&D of liquid biopsy molecular diagnostic tests for the early detection of cancer. Early cancer detection enables earlier intervention and better patient outcomes. The Company aims to develop innovative, convenient, and cost-effective solutions for early cancer detection that can be widely deployed. In July 2022, the Company announced an investment in cancer diagnostics through an agreement to subscribe for shares in Pharus, Inc. (“Pharus”), a wholly owned subsidiary of Quark Biosciences, Inc. The focus of Pharus is on research, development and commercialisation of molecular diagnostics utilising the OncoSweep™ cancer liquid biopsy platform, for the early detection of cancer. Apart from its investment in Pharus, the Company also has ongoing in-house cancer diagnostic R&D projects, targeting melanoma and prostate cancer.

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.

The nutraceutical business performed well in 2022. Profit contribution from this segment to the Company is HK\$262.3 million, 11% higher than in 2021. This reported profit amount is impacted by weaker foreign currencies against the Hong Kong dollar. At the same foreign exchange rates as 2021, the profit contribution of the nutraceutical business would have been an increase of approximately 14% over that of 2021.

In 2022, heightened awareness of the need to maintain wellness in the aftermath of the Covid-19 pandemic helped sustain interest in, and demand for, vitamins and supplements. Timely responses to severe cost increases exacerbated by supply chain disruptions and high level of vacancies enabled the segment to convert market demand into satisfactory sales and profit.

Vitaquest is an industry-leading development and commercialisation partner for the nutraceutical and functional food markets. While implementing price increases to cope with cost escalation, Vitaquest was able to retain critical existing business by reducing customer lead times and improving service levels. Investment in digitisation and automated equipment enabled greater visibility and control over operations, as well as increased efficiency. The Company retained full FSSC 22000 Food Safety certification after an on-site audit.

SNAG is one of Canada’s longest established companies specialising in progressive natural health solutions. The Company took advantage of the sustained interest in maintaining natural immunity with new products and creative merchandising strategies. It mitigated the effect of high inflation and supply chain costs by adapting its procurement strategies and exploring new sourcing partners.

Lipa is one of the largest contract manufacturers of complementary healthcare medicines, vitamins and nutritional supplements in Australia. During the year, it achieved solid sales and financial performance, acquiring new customers growing across different markets with emerging new product formats. It was the winner of the 2022 Complementary Medicines Australia (CMA, an industry association) Judge’s Choice Award that recognises “market-breaking innovations” and “consistently high product quality”.

## **AGRICULTURE-RELATED BUSINESS**

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

Against a backdrop of severe flooding aggravating supply chain, labour availability and inflation challenges, the 2022 performance of the agriculture-related business is satisfactory. The profit contribution to the Company is HK\$336 million, about the same as 2021. At the same foreign exchange rates as 2021, the profit contribution from this business segment in 2022 would have been an increase of about 7% over that of 2021.

Australian Agribusiness comprises businesses in the manufacturing, wholesale and retail of agriculture-related products. Both operating units, Crop Solutions (“CS”) and Consumer and Professional Solutions (“CPS”), faced margin pressure. CS production volume exceeded that of 2021, and margins improved in the second half of the year with new procurement practices and a change in customer mix. CPS improved operating margins through cost saving initiatives and acquisition of new customers.

Key operating entities in the salt business are Cheetham Salt Limited in Australia and Dominion Salt Limited in New Zealand. La Niña-related weather events affected salt field productivity; shortage of labour reduced efficiency at manufacturing facilities; and logistics costs, both domestic and international, exerted further pressure on margins. Nevertheless, sustained demand for salt products and agile adaptation to the volatile operating environment enabled the entities to deliver a reasonable performance.

By contrast, the Company’s vineyard portfolio was not affected by supply chain and labour challenges faced by other agriculture-related businesses. Rental income remained steady on the back of long-term leases. The portfolio underwent a renewal process with the acquisition of a property in the Margaret River region of Western Australia, disposal of properties in the Riverina area of New South Wales and extensive crop protection and replanting upgrade works on a large property in the Murray Valley region of Victoria. Valuation of the portfolio also increased.

## **SUSTAINABILITY**

Under the leadership of the board-level Sustainability Committee, the Company has kick-started the journey to align our reporting with the Task Force on Climate-Related Financial Disclosures (TCFD) framework through various work programmes to assess and enhance our readiness.

Our business units have further refined various environmental targets to minimise our environmental footprint in 2022. These include reducing greenhouse gases (GHG), energy and water intensity, as well as transitioning energy sources to renewables and increasing waste reduction targets. These targets guide our business strategy and sustainability agenda by setting out the areas of innovation and change needed to deliver on our commitments.

More comprehensive disclosure on sustainability initiatives and transitioning progress will be covered in a standalone Sustainability Report.

## **PROSPECTS**

The foundations of our operating businesses are strong, especially with the support of improvements we implemented during the Covid-19 pandemic. As pressures from the pandemic ease and market conditions gradually improve, we are confident that operating results will improve. However, higher interest rates aimed at taming inflation, volatile exchange rates and ongoing geopolitical tensions will continue to create uncertainty for our financial performance.

Once again, I would like to express my appreciation to our staff. Their unwavering dedication to meeting challenges head on is central to the success of the Company. I would also like to thank our shareholders and the Board of Directors for their continued support and contribution.

**Victor T K Li**  
Chairman

Hong Kong, 14 March 2023

## **FINANCIAL REVIEW**

### **Financial Resources, Liquidity and Treasury Policies**

In 2022, 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 2022, the bank borrowings amounted to HK\$5,430.5 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 2022, certain assets of the Group's overseas subsidiaries with carrying value of HK\$875.1 million were pledged as part of the security for bank borrowings totalling HK\$120.5 million. The total interest expenses on bank borrowings of the Group for the year were HK\$140.2 million.

At the end of 2022, the total assets of the Group were about HK\$11,266.8 million, of which bank balances and time deposits were about HK\$691.9 million and listed investment in securities were about HK\$12.2 million.

The total net assets of the Group as at 31 December 2022 were HK\$4,155.5 million, representing HK\$0.43 per share. The net debt to net total capital ratio of the Group as at 31 December 2022 was approximately 53.28%, 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 2022 amounted to about HK\$158.5 million.

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

As of 31 December 2022, the total capital commitments by the Group amounted to HK\$85.3 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 1,856 as at 31 December 2022 (2021: 1,855). The total staff costs, including directors' emoluments, amounted to approximately HK\$1,035.6 million for the year under review, which represents a decrease of 3.2% 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 2022 (2021: Nil).

## Consolidated Income Statement

### For the year ended 31 December 2022

	Notes	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Revenue	3	<b>5,275,590</b>	5,402,312
Cost of sales		<b><u>(3,649,604)</u></b>	<u>(3,772,342)</u>
		<b>1,625,986</b>	1,629,970
Other income, gains and losses	4	<b>128,011</b>	98,245
Staff costs	5	<b>(536,557)</b>	(571,564)
Depreciation		<b>(98,410)</b>	(106,698)
Amortisation of intangible assets		<b>(3,166)</b>	(7,590)
Other expenses	6	<b>(747,932)</b>	(707,506)
Finance costs	7	<b>(163,092)</b>	(97,823)
Share of results of a joint venture		<b>24</b>	1,205
Profit before taxation		<b>204,864</b>	238,239
Taxation	8	<b><u>(72,912)</u></b>	<u>(75,438)</u>
Profit for the year		<b><u>131,952</u></b>	<u>162,801</u>
Attributable to:			
Shareholders of the Company		<b>131,963</b>	162,801
Non-controlling interests of a subsidiary		<b><u>(11)</u></b>	<u>-</u>
		<b><u>131,952</u></b>	<u>162,801</u>
Earnings per share	9		
- Basic		<b><u>1.37 cents</u></b>	<u>1.69 cents</u>

## Consolidated Statement of Comprehensive Income For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Profit for the year	131,952	162,801
Other comprehensive income/(expenses)		
<b>Item that will not be reclassified to profit or loss:</b>		
Actuarial gain/(loss) of defined benefit retirement plan	184	(331)
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising from translation of foreign operations	(381,419)	(283,974)
Other comprehensive expenses for the year	(381,235)	(284,305)
Total comprehensive expenses for the year	(249,283)	(121,504)
Attributable to:		
Shareholders of the Company	(249,272)	(121,504)
Non-controlling interests of a subsidiary	(11)	-
	(249,283)	(121,504)

## Consolidated Statement of Financial Position

### As at 31 December 2022

		2022	2021
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Investment properties		1,817,665	2,047,858
Property, plant and equipment		2,230,677	2,334,510
Right-of-use assets		372,486	430,869
Intangible assets		3,594,780	3,670,797
Interests in a joint venture		5,447	5,793
Other financial assets		42,900	-
Deferred taxation		77,810	72,041
		<b>8,141,765</b>	<b>8,561,868</b>
<b>Current assets</b>			
Other financial assets		12,191	11,669
Tax recoverable		5,524	5,635
Inventories		1,284,961	1,253,873
Receivables and prepayments	11	1,130,387	1,007,172
Bank balances and deposits		691,934	890,801
		<b>3,124,997</b>	<b>3,169,150</b>
<b>Current liabilities</b>			
Payables and accruals	12	(878,895)	(741,844)
Bank borrowings		(3,056,496)	(1,224,000)
Lease liabilities		(69,418)	(69,108)
Taxation		(57,666)	(40,150)
		<b>(4,062,475)</b>	<b>(2,075,102)</b>
<b>Net current (liabilities)/assets</b>		<b>(937,478)</b>	<b>1,094,048</b>
<b>Total assets less current liabilities</b>		<b>7,204,287</b>	<b>9,655,916</b>

**Consolidated Statement of Financial Position (cont'd)**  
**As at 31 December 2022**

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
<b>Non-current liabilities</b>		
Bank borrowings	(2,374,000)	(4,412,893)
Lease liabilities	(446,251)	(507,005)
Deferred taxation	(220,444)	(223,765)
Retirement benefit obligations	(8,142)	(11,409)
	<u>(3,048,837)</u>	<u>(5,155,072)</u>
<b>Total net assets</b>	<u><u>4,155,450</u></u>	<u><u>4,500,844</u></u>
<b>Capital and reserves</b>		
Share capital	961,107	961,107
Share premium and reserves	3,197,094	3,542,477
<b>Equity attributable to shareholders of the Company</b>	<b>4,158,201</b>	4,503,584
Non-controlling interests of a subsidiary	(2,751)	(2,740)
<b>Total equity</b>	<u><u>4,155,450</u></u>	<u><u>4,500,844</u></u>

# Consolidated Statement of Changes in Equity

## For the year ended 31 December 2022

	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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As 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 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)
<b>As at 31 December 2021</b>	<b>961,107</b>	<b>3,282,546</b>	<b>(103,347)</b>	<b>(1,324,997)</b>	<b>41,885</b>	<b>(541,036)</b>	<b>2,187,426</b>	<b>4,503,584</b>	<b>(2,740)</b>	<b>4,500,844</b>
Profit for the year	-	-	-	-	-	-	131,963	131,963	(11)	131,952
Exchange differences arising from translation of foreign operations	-	-	-	(381,419)	-	-	-	(381,419)	-	(381,419)
Actuarial gain of defined benefit retirement plan	-	-	-	-	-	-	184	184	-	184
Total comprehensive (expenses)/income for the year	-	-	-	(381,419)	-	-	132,147	(249,272)	(11)	(249,283)
Dividends paid to the shareholders of the Company – 2021 final dividend HK\$0.01 per share	-	(96,111)	-	-	-	-	-	(96,111)	-	(96,111)
<b>As at 31 December 2022</b>	<b>961,107</b>	<b>3,186,435</b>	<b>(103,347)</b>	<b>(1,706,416)</b>	<b>41,885</b>	<b>(541,036)</b>	<b>2,319,573</b>	<b>4,158,201</b>	<b>(2,751)</b>	<b>4,155,450</b>

# 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 is 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.

As at 31 December 2022, the Group's current liabilities exceeded its current assets by HK\$937,478,000. The Directors are of the opinion that, taking into account of the available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. The Directors are confident that the bank borrowings can be renewed/refinanced based on the Group's healthy financial position and strength of its business prospects. Hence, the consolidated financial statements have been prepared on a going concern basis.

## 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.

The adoption of the new HKFRSs has no material impact on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRS 17 (Including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

### **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 period beginning on or after 1 January 2023, with early application permitted. The Group considers there will have no material impact on the consolidated financial statements. 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>2022</u>	<u>2021</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Sales of goods:		
Agriculture-related	<b>2,005,001</b>	2,091,543
Health	<b>3,097,090</b>	3,122,293
Revenue from contracts with customers	<b><u>5,102,091</u></b>	<u>5,213,836</u>
Rental income (included in agriculture-related segment)	<b>172,680</b>	187,100
Investment income	<b>819</b>	1,376
	<b><u>5,275,590</u></b>	<u>5,402,312</u>

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

#### 4. Other Income, Gains and Losses

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Included in other income, gains and losses are:		
Interest income from bank deposits	5,530	727
Other interest income	245	698
Government grants *	2,164	4,515
Exchange (loss)/gain	(3,475)	4,206
Net unrealised gain on fair value changes of investment properties	46,717	71,406
Net (impairment)/reversal of impairment of property, plant and equipment	(22,490)	2,786
Reversal of impairment/(impairment) of intangible assets	19,495	(13,058)
Net impairment of trade receivables	(20,407)	(2,924)
Net gain on disposal of investment properties	27,526	-
Gain on disposal of intangible assets	23,685	-
Net gain/(loss) on disposal of property, plant and equipment	300	(764)
Fair value gain/(loss) on investments mandatorily measured at fair value through profit or loss		
- Investments held for trading	<u>522</u>	<u>(1,045)</u>

\* Included in the government grants are COVID-19 subsidies of HK\$2,164,000 (2021: Nil) related to Employment Support Scheme provided by the Hong Kong government. During the year ended 31 December 2021, the Group received COVID-19 subsidies of HK\$4,515,000 from the Group's overseas operations.

#### 5. Staff Costs

Staff costs which include salaries, bonuses, retirement benefit scheme contributions and recruitment costs for the year amounted to HK\$1,035.6 million (2021: HK\$1,069.5 million) of which HK\$499.0 million (2021: HK\$497.9 million) relating to direct labor costs were included in cost of sales.

#### 6. Other Expenses

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Included in other expenses are:		
Auditor's remuneration	12,528	13,198
Clinical trial and laboratory expenses	106,729	110,982
Freight and delivery expenses	357,220	295,666
Information technology expenses	26,804	27,842
Insurance expenses	26,847	33,350
Professional, legal and consultancy expenses	39,378	44,448
Selling, promotion, advertising and related expenses	<u>59,321</u>	<u>71,291</u>

## 7. Finance Costs

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings	140,194	59,389
Other borrowings	-	15,305
Lease liabilities	<u>22,898</u>	<u>23,129</u>
	<u>163,092</u>	<u>97,823</u>

## 8. Taxation

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
The tax expenses for the year represent:		
Current tax		
Hong Kong	47	137
Other jurisdictions	65,745	41,092
Under/(over) provision in prior years		
Hong Kong	(6)	(12)
Other jurisdictions	4,111	(238)
Deferred tax		
Hong Kong	-	-
Other jurisdictions	<u>3,015</u>	<u>34,459</u>
	<u>72,912</u>	<u>75,438</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 earnings per share attributable to shareholders of the Company are based on the following data:

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
<b>Profit for the year attributable to shareholders of the Company</b>		
Profit for calculating basic earnings per share	<u>131,963</u>	<u>162,801</u>
<b>Number of shares</b>		
Number of ordinary shares in issue used in the calculation of basic earnings per share	<u>9,611,073,000</u>	<u>9,611,073,000</u>

No diluted earnings per share for the years ended 31 December 2022 and 31 December 2021 were presented as there were no potential ordinary shares in issue.

## 10. Dividends

A final dividend for the year ended 31 December 2022 of HK\$0.008 per share (2021: HK\$0.01 per share) with an aggregate amount of HK\$76,889,000 (2021: 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>2022</u> HK\$'000	<u>2021</u> HK\$'000
Trade receivables related to:		
- Sales of goods	963,355	848,104
- Operating leases	5,088	1,741
	<u>968,443</u>	<u>849,845</u>
Less: provision for impairment	<u>(26,004)</u>	<u>(6,908)</u>
	942,439	842,937
Other receivables, deposits and prepayments	<u>187,948</u>	<u>164,235</u>
	<u>1,130,387</u>	<u>1,007,172</u>

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

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
0 - 90 days	821,674	761,264
Over 90 days	<u>120,765</u>	<u>81,673</u>
	<u>942,439</u>	<u>842,937</u>

## 12. Payables and Accruals

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Trade payables	412,029	278,991
Other payables and accrued charges	<u>466,866</u>	<u>462,853</u>
	<u>878,895</u>	<u>741,844</u>

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

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
0 - 90 days	392,456	271,759
Over 90 days	<u>19,573</u>	<u>7,232</u>
	<u>412,029</u>	<u>278,991</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	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<b>2,177,681</b>	2,278,643	<b>3,097,090</b>	3,122,293	<b>819</b>	1,376	<b>5,275,590</b>	5,402,312
Segment results	<b>335,999</b>	337,466	<b>262,272</b>	235,837	-	-	<b>598,271</b>	573,303
Unallocated other income, gains or losses							<b>(7,793)</b>	(4,227)
Research and development expenditure							<b>(158,535)</b>	(157,269)
Corporate expenses							<b>(63,987)</b>	(75,745)
Finance costs							<b>(163,092)</b>	(97,823)
Profit before taxation							<b>204,864</b>	238,239
Taxation							<b>(72,912)</b>	(75,438)
Profit for the year							<b>131,952</b>	162,801
Other information								
Interest income	<b>2,030</b>	615	<b>245</b>	698	<b>3,500</b>	112	<b>5,775</b>	1,425
Amortisation of intangible assets	<b>(2,033)</b>	(6,452)	<b>(1,133)</b>	(1,138)	-	-	<b>(3,166)</b>	(7,590)
Depreciation	<b>(119,440)</b>	(133,187)	<b>(96,566)</b>	(96,643)	<b>(11,742)</b>	(9,464)	<b>(227,748)</b>	(239,294)
Net impairment of trade receivables	<b>(287)</b>	(540)	<b>(20,120)</b>	(2,384)	-	-	<b>(20,407)</b>	(2,924)
Net gain on disposal of investment properties	<b>27,526</b>	-	-	-	-	-	<b>27,526</b>	-
Gain on disposal of intangible assets	<b>23,685</b>	-	-	-	-	-	<b>23,685</b>	-
Net (loss)/gain on disposal of property, plant and equipment	<b>(81)</b>	126	<b>390</b>	(875)	<b>(9)</b>	(15)	<b>300</b>	(764)
Net unrealised gain on fair value changes of investment properties	<b>46,717</b>	71,406	-	-	-	-	<b>46,717</b>	71,406
Net (impairment)/reversal of impairment of property, plant and equipment	<b>(22,490)</b>	2,786	-	-	-	-	<b>(22,490)</b>	2,786
Reversal of impairment/(impairment) of intangible assets	<b>19,495</b>	(13,058)	-	-	-	-	<b>19,495</b>	(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)	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia Pacific	<b>3,047,557</b>	3,131,163	<b>4,873,044</b>	5,271,695
North America	<b>2,227,214</b>	2,269,773	<b>3,148,011</b>	3,218,132
	<b><u>5,274,771</u></b>	<u>5,400,936</u>	<b><u>8,021,055</u></b>	<u>8,489,827</u>

Notes :

- i. Revenue excluding investment income generated from financial instruments.
- ii. Non-current assets excluding deferred tax assets and other financial 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 and other financial 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 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 year ended 31 December 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 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: 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 2022 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. Donald Jeffrey Roberts.

## **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 2023 Annual General Meeting (“2023 AGM”) of the shareholders of the Company will be held on Thursday, 18 May 2023. Details of the arrangements will be provided in the Company’s Circular in relation to the 2023 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 Monday, 15 May 2023 to Thursday, 18 May 2023, 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 2023 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 Friday, 12 May 2023.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 24 May 2023, 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. Wednesday, 24 May 2023.

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