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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 2023

2023 FIRST HALF RESULTS

For the six months ended 30 June 2023, CK Life Sciences Int'l., (Holdings) Inc. (“CK Life Sciences” or the “Company”) recorded unaudited profit attributable to shareholders of around HK\$37 million, a decline of 43% as compared with the corresponding period last year.

The overall profit in the first half of 2023 was significantly impacted by higher finance costs resulting from rising interest rates. At the operational level, both the agriculture-related and health segments actually reported better results than in 2022 – a 22% increase in profit contribution compared with the same period in 2022. However, this was more than offset by a 171% increase in finance costs resulting from rising interest rates. Average annualised interest rates in the first half of 2023 were 4.8%, compared with 1.4% in 2022. Had the same interest rates as 2022 been applied, the 2023 profit would have been reported as approximately 97% higher than 2022.

The Board of Directors has not declared any interim dividend for the period under review (2022: Nil).

HEALTHCARE RESEARCH AND DEVELOPMENT

CK Life Sciences’ research and development operations are engaged in the research and development of pharmaceuticals and molecular diagnostics. The Company’s pharmaceutical R&D efforts are focused on cancer vaccines and pain management products, while molecular diagnostic R&D projects target early detection of cancer.

Pharmaceutical R&D

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.

Pandemic-related supply chain disruptions and manpower shortages have improved but continue to have lingering impact on the 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.

At the discovery and preclinical development stage, the Company has multiple cancer vaccine R&D projects underway and hopes 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.

The Company also has an ongoing 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 are leveraging 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.

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., 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, an Asian/North American clinical trial of Halneuron® is in progress, evaluating the duration of pain reduction in patients with moderate to severe CINP.

Cancer Diagnostics R&D

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.

The Company invested in Pharus, Inc. (“Pharus”), a cancer diagnostic company focused on the research, development, and commercialisation of liquid biopsy tests 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.

Profit in the nutraceutical business segment rose 14% compared with the same period in 2022. Labour and supply chain disruption and cost pressures eased, enabling operating units to plan more effectively.

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. During the first half of 2023, Vitaquest was more successful in recruiting staff to fill vacancies in key areas of manufacturing. Together with steadier supply of raw materials, this improvement in staffing enabled the company to achieve satisfactory levels of production. Successful new product launches for key emerging customers helped the company record good growth in both sales and profit.

SNAG is one of Canada’s longest established companies specialising in progressive natural health solutions. In the face of strong competition in the market during the period under review, the company implemented changes in product, pricing and promotional strategies. Initiatives in exports and the online segment began to bear fruit, increasing their financial contribution to the business.

Lipa, one of the largest contract manufacturers of complementary healthcare medicines, vitamins, and nutritional supplements in Australia, is located in New South Wales. Having built up high levels of inventory during volatile conditions post-Covid, some Lipa customers curtailed demand in the first half of 2023. Fortunately, increased orders from other customers mitigated the overall impact.

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; and (iii) a vineyard portfolio.

Profit in the segment was 32% higher than in the same period last year.

Australian Agribusiness comprises businesses in the manufacturing, wholesale, and retail of agriculture-related products. High levels of inventory in the trade, volatile material input prices and unpredictable weather conditions resulted in more conservative ordering patterns among customers in Crop Solutions. The adoption of a new operating model enabled Home Garden to reduce costs successfully, but staff shortage in Turf Management proved challenging, while Pest management recorded good sales growth.

Sustained demand for salt products was observed across all markets. As domestic and international transport costs settled down to steadier levels, the comprehensive pricing strategy adopted in 2022 showed its impact, enabling operating units in both Australia and New Zealand to achieve satisfactory results.

Protected by long leases with reputable wine companies as tenants, the vineyard business provided solid underpinning to profit and cashflow in the agriculture-related segment. Adjustments in the portfolio enabled the business to record some one-time gains that helped improve profit growth in the segment.

PROSPECTS

In the first half of 2023, higher finance costs more than offset satisfactory profit growth in operations. In the rest of the year, we are confident that business operations will maintain momentum in further recovering lost ground during the pandemic, but higher interest charges will continue to make it challenging to achieve overall profit growth.

Our sustainable business model in which funds from operating businesses support the advancement of healthcare research activities remains robust. We are committed to protecting investment in R&D initiatives despite challenges to profit that interest rates may pose.

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 frontline staff who steered a steady course in the face of unpredictable conditions.

Victor T K Li
Chairman

Hong Kong, 1 August 2023

FINANCIAL REVIEW

Financial Resources and Liquidity

As at 30 June 2023, the total assets of the Group were about HK\$11,049.3 million, of which bank balances and time deposits were about HK\$493.4 million and listed investment in securities were about HK\$12.5 million.

At the end of the period under review, the total liabilities of the Group were HK\$6,881.9 million, comprising bank borrowings amounted to HK\$5,421.0 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 2023 were HK\$130.3 million.

As at 30 June 2023, the net debt to net total capital ratio of the Group was approximately 54.18%, 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\$0.43 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 United States 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 2023, certain assets of the Group's subsidiary companies with a carrying value of HK\$871.3 million were pledged as part of the security for bank borrowings totalling HK\$111.0 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\$70.9 million for the period ended 30 June 2023.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 30 June 2023, the total capital commitments by the Group amounted to HK\$99.6 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 1,887 as at 30 June 2023, and is 58 more than the total headcount of 1,829 as at 30 June 2022. The total staff costs, including director's emoluments, amounted to approximately HK\$546.7 million for the six months ended 30 June 2023, which represents an increase of 6% as compared to the same period in 2022. The Group's remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2022.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2023.

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2023	2022
		(unaudited) HK\$'000	(unaudited) HK\$'000
Revenue	3	2,579,128	2,540,582
Cost of sales		(1,779,656)	(1,758,860)
		799,472	781,722
Other income, gains and losses		74,591	26,078
Staff costs	4	(294,953)	(275,589)
Depreciation		(47,187)	(49,685)
Amortisation of intangible assets		(1,151)	(1,990)
Other expenses		(332,317)	(322,719)
Finance costs		(141,687)	(52,201)
Share of results of a joint venture		82	492
Profit before taxation		56,850	106,108
Taxation	5	(19,938)	(40,990)
Profit for the period	6	36,912	65,118
Attributable to:			
Shareholders of the Company		36,912	65,120
Non-controlling interests of a subsidiary		-	(2)
		36,912	65,118
Earnings per share	7		
- Basic		0.38 cents	0.68 cents
- Diluted		0.38 cents	0.68 cents

Condensed Consolidated Statement of Comprehensive Income

	For the six months	
	ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>36,912</u>	<u>65,118</u>
Other comprehensive income/(expenses)		
Item that will not be reclassified to profit or loss:		
Actuarial loss of defined benefit retirement plan	<u>(204)</u>	<u>-</u>
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	<u>50,549</u>	<u>(172,300)</u>
Other comprehensive income/(expenses) for the period	<u>50,345</u>	<u>(172,300)</u>
Total comprehensive income/(expenses) for the period	<u>87,257</u>	<u>(107,182)</u>
Attributable to:		
Shareholders of the Company	87,257	(107,180)
Non-controlling interests of a subsidiary	<u>-</u>	<u>(2)</u>
	<u>87,257</u>	<u>(107,182)</u>

Condensed Consolidated Statement of Financial Position

		As at 30 June 2023 (unaudited)	As at 31 December 2022 (audited)
	Notes	HK\$'000	HK\$'000
Non-current assets			
Investment properties	9	1,831,407	1,817,665
Property, plant and equipment	10	2,237,199	2,230,677
Right-of-use assets	11	386,151	372,486
Intangible assets	12	3,596,863	3,594,780
Interests in a joint venture		5,587	5,447
Other financial assets		42,900	42,900
Deferred taxation		80,350	77,810
		8,180,457	8,141,765
Current assets			
Other financial assets		12,539	12,191
Tax recoverable		13,847	5,524
Inventories		1,294,714	1,284,961
Receivables and prepayments	13	1,054,327	1,130,387
Bank balances and deposits		493,396	691,934
		2,868,823	3,124,997
Current liabilities			
Payables and accruals	13	(674,407)	(878,895)
Bank borrowings	14	(2,111,000)	(3,056,496)
Lease liabilities		(68,596)	(69,418)
Taxation		(54,033)	(57,666)
		(2,908,036)	(4,062,475)
Net current liabilities		(39,213)	(937,478)
Total assets less current liabilities		8,141,244	7,204,287

Condensed Consolidated Statement of Financial Position (cont'd)

		As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
	Notes		
Non-current liabilities			
Bank borrowings	14	(3,310,000)	(2,374,000)
Lease liabilities		(448,170)	(446,251)
Deferred taxation		(206,802)	(220,444)
Retirement benefit obligations		(8,916)	(8,142)
		<u>(3,973,888)</u>	<u>(3,048,837)</u>
Total net assets		<u>4,167,356</u>	<u>4,155,450</u>
Capital and reserves			
Share capital	15	961,107	961,107
Share premium and reserves		<u>3,206,249</u>	<u>3,197,094</u>
Equity attributable to shareholders of the Company		4,167,356	4,158,201
Non-controlling interests of a subsidiary		<u>-</u>	<u>(2,751)</u>
Total equity		<u>4,167,356</u>	<u>4,155,450</u>

Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company									Total (unaudited) HK\$'000
	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Investment at fair value through other comprehensive income reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Asset revaluation reserve (unaudited) HK\$'000	Other reserves (unaudited) HK\$'000	Retained earnings (unaudited) HK\$'000	Sub-total (unaudited) HK\$'000	Attributable to non-controlling interests of a subsidiary (unaudited) HK\$'000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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
2023										
At 1 January 2023	961,107	3,186,435	(103,347)	(1,706,416)	41,885	(541,036)	2,319,573	4,158,201	(2,751)	4,155,450
Profit for the period	-	-	-	-	-	-	36,912	36,912	-	36,912
Exchange differences arising from translation of foreign operations	-	-	-	50,549	-	-	-	50,549	-	50,549
Actuarial loss of defined benefit retirement plan	-	-	-	-	-	-	(204)	(204)	-	(204)
Total comprehensive income for the period	-	-	-	50,549	-	-	36,708	87,257	-	87,257
Acquisition of additional interest in a subsidiary	-	-	-	-	-	(1,213)	-	(1,213)	2,751	1,538
Dividends paid to the shareholders of the Company – 2022 final dividend HK\$0.008 per share	-	(76,889)	-	-	-	-	-	(76,889)	-	(76,889)
At 30 June 2023	961,107	3,109,546	(103,347)	(1,655,867)	41,885	(542,249)	2,356,281	4,167,356	-	4,167,356

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	80,497	214,018
Net cash outflow from investing activities	(16,375)	(63,122)
Net cash outflow from financing activities	(265,229)	(184,467)
Decrease in cash and cash equivalents	(201,107)	(33,571)
Cash and cash equivalents at beginning of the period	691,934	890,801
Effect of foreign exchange rate changes	2,569	(10,144)
Cash and cash equivalents at end of the period	493,396	847,086

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 2022 (the “2022 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 2022 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	
	2023	2022
	HK\$’000	HK\$’000
Sales of goods:		
Agriculture-related	932,967	967,190
Health	1,560,347	1,482,653
Revenue from contracts with customers	2,493,314	2,449,843
Rental income (included in agriculture-related segment)	85,065	90,251
Investment income	749	488
	<u>2,579,128</u>	<u>2,540,582</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	
	2023	2022
	HK\$'000	HK\$'000
Segment results		
Agriculture-related	158,911	120,676
Health	154,970	136,440
	<u>313,881</u>	<u>257,116</u>
Unallocated other income, gains or losses	(4,278)	(6,474)
Research and development expenditure	(70,931)	(58,769)
Corporate expenses	(40,135)	(33,564)
Finance costs	(141,687)	(52,201)
Profit before taxation	<u>56,850</u>	<u>106,108</u>
Taxation	(19,938)	(40,990)
Profit for the period	<u><u>36,912</u></u>	<u><u>65,118</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 2023 amounted to HK\$546.7 million (2022: HK\$515.8 million) of which HK\$251.7 million (2022: HK\$240.2 million) relating to direct labor costs were included in cost of sales.

5. Taxation

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current tax		
Hong Kong	3	21
Other jurisdictions	36,205	40,711
Deferred tax		
Other jurisdictions	(16,270)	258
	<u><u>19,938</u></u>	<u><u>40,990</u></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	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period has been arrived at after crediting:		
Included in revenue:		
Rental income from investment properties	85,065	90,251
Included in other income, gains and losses:		
Interest income from bank deposits	6,290	1,048
Fair value gain on investments mandatorily measured at fair value through profit or loss	348	-

7. Earnings Per Share

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

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period attributable to shareholders of the Company		
Profit for calculating basic earnings per share	36,912	65,120
Number of shares		
Number of ordinary shares in issue used in the calculation of basic earnings per share	9,611,073,000	9,611,073,000

No diluted earnings per share for the periods ended 30 June 2023 and 2022 were presented as there were no potential ordinary shares in issue.

8. Dividends

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2023 (2022: Nil).

9. Investment Properties

	HK\$'000
Valuation	
At 1 January 2023	1,817,665
Additions	9,990
Exchange differences	3,752
At 30 June 2023	<u>1,831,407</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 2023	607,997	646,822	487,937	210,826	1,230,489	190,347	288,903	3,663,321
Additions	-	1,578	677	88,736	30	3,090	165	94,276
Reclassification	3,500	-	-	(68,966)	43,649	6,354	15,463	-
Disposals/write-off	-	-	(18,409)	-	(10,381)	(5,858)	-	(34,648)
Exchange differences	1,947	2,341	1,906	1,301	5,373	1,236	867	14,971
At 30 June 2023	613,444	650,741	472,111	231,897	1,269,160	195,169	305,398	3,737,920
Depreciation and impairment								
At 1 January 2023	136,396	304,050	-	-	712,223	146,227	133,748	1,432,644
Provided for the period	6,379	11,343	-	-	33,225	8,146	15,811	74,904
Eliminated upon disposals/write-off	-	-	-	-	(9,550)	(5,609)	-	(15,159)
Exchange differences	900	1,626	-	-	4,286	1,030	490	8,332
At 30 June 2023	143,675	317,019	-	-	740,184	149,794	150,049	1,500,721
Carrying values								
At 30 June 2023	<u>469,769</u>	<u>333,722</u>	<u>472,111</u>	<u>231,897</u>	<u>528,976</u>	<u>45,375</u>	<u>155,349</u>	<u>2,237,199</u>
At 31 December 2022	471,601	342,772	487,937	210,826	518,266	44,120	155,155	2,230,677

11. Right-of-use Assets

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Land and buildings	356,620	348,635
Machinery and equipment	19,952	17,917
Furniture, fixtures and other assets	9,579	5,934
	<u>386,151</u>	<u>372,486</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 2023	411,822	131	2,765,566	119,750	364,126	297,752	24,957	3,984,104
Additions	-	-	-	-	-	-	436	436
Disposals/write-off	-	-	-	-	(1,033)	(25,209)	-	(26,242)
Exchange differences	7,514	1	15,167	2,371	2,174	2,825	593	30,645
At 30 June 2023	419,336	132	2,780,733	122,121	365,267	275,368	25,986	3,988,943
Amortisation and impairment								
At 1 January 2023	451	109	-	-	364,126	7,777	16,861	389,324
Provided for the period	-	-	-	-	-	-	1,151	1,151
Eliminated upon disposals/write-off	-	-	-	-	(1,033)	-	-	(1,033)
Exchange differences	17	1	-	-	2,174	74	372	2,638
At 30 June 2023	468	110	-	-	365,267	7,851	18,384	392,080
Carrying values								
At 30 June 2023	418,868	22	2,780,733	122,121	-	267,517	7,602	3,596,863
At 31 December 2022	411,371	22	2,765,566	119,750	-	289,975	8,096	3,594,780

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 2023	As at 31 December 2022
	HK\$'000	HK\$'000
Trade receivables		
0 - 90 days	700,722	821,674
Over 90 days	123,157	120,765
	823,879	942,439
Trade payables		
0 - 90 days	256,010	392,456
Over 90 days	5,998	19,573
	262,008	412,029

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 '000	Nominal value HK\$'000
Authorised		
At 31 December 2022 and 30 June 2023	15,000,000	1,500,000
Issued and fully paid		
At 31 December 2022 and 30 June 2023	9,611,073	961,107

16. Fair Value Measurement of Financial Instruments

Financial instruments measured at fair value on a recurring basis

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<u>As at 30 June 2023</u>				
Financial assets at fair value through profit or loss				
Equity securities – listed in Hong Kong	12,539	-	-	12,539
Unlisted investment	-	-	42,900	42,900
	12,539	-	42,900	55,439
<u>As at 31 December 2022</u>				
Financial assets at fair value through profit or loss				
Equity securities – listed in Hong Kong	12,191	-	-	12,191
Unlisted investment	-	-	42,900	42,900
	12,191	-	42,900	55,091

There were no transfers between Levels 1 and 2, or transfers into or out of Level 3 during the six months ended 30 June 2023 and 2022.

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 2023:

- (i) The Group made sales of HK\$10.0 million (2022: HK\$22.3 million) to CK Hutchison Holdings Limited, a substantial shareholder of the Company, and its subsidiaries.
- (ii) The Group made sales of HK\$0.2 million (2022: HK\$2.1 million) to a joint venture of Cheetham Salt Limited, a wholly-owned subsidiary of the Company during the period.

18. Subsequent Event

Subsequent to the end of the reporting period, refinancing arrangements for bank borrowings amounting to HK\$2,000,000,000 were agreed with the relevant banks, in which the refinancing of HK\$1,000,000,000 was completed before the date of this interim report and the remaining balance of HK\$1,000,000,000 is under the final stage for the execution of loan documents.

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

During the six months ended 30 June 2023, 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 of the Company and its subsidiaries. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholder value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

The Company has 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 2023.

The Group is committed to maintaining high corporate governance standards and conducting its businesses with ethics and integrity. In compliance with the CG Code, the Company has adopted, and regularly reviews its comprehensive set of Corporate Governance Policies such as Anti-Fraud and Anti-Bribery Policy, Anti-Money Laundering Policy, Employee Code of Conduct, Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing, and Whistleblowing Policy - Procedures for Reporting Possible Improprieties. The Group maintains a robust corporate governance framework and internal control systems to uphold its accountability with support from internal and external auditors and other professional advisors.

AUDIT COMMITTEE

The Audit Committee, headed by an Independent Non-executive Director, comprises three Independent Non-executive Directors. The Audit Committee is chaired by Mr. Kwan Kai Cheong with Mr. Paul Joseph Tighe and Mr. Donald Jeffrey Roberts as members.

The Group's interim results for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

A majority of the members of the Company's Remuneration Committee are Independent Non-executive Directors. The Remuneration Committee is chaired by Mrs. Kwok Eva Lee, an Independent Non-executive Director, with Mr. Donald Jeffrey Roberts, also an Independent Non-executive Director and the Chairman of the Board, Mr. Victor T K Li as members.

NOMINATION COMMITTEE

The Nomination Committee comprises a majority of Independent Non-executive Directors and is chaired by an Independent Non-executive Director. The Nomination Committee is chaired by Mr. Paul Joseph Tighe, an Independent Non-executive Director with another Independent Non-executive Director, Mr. Donald Jeffrey Roberts and the Chairman of the Board, Mr. Victor T K Li, as members.

SUSTAINABILITY COMMITTEE

The Sustainability Committee comprises an Executive Director, an Independent Non-executive Director and the Company Secretary. The Sustainability Committee is chaired by Mr. Ip Tak Chuen, Edmond, Senior Vice President and Chief Investment Officer. Other members include 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. Kwan Kai Cheong (Independent Non-executive Director); Mr. Paul Joseph Tighe (Independent Non-executive Director); and Mr. Donald Jeffrey Roberts (Independent Non-executive Director).