



**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)

Agriculture-related



# ENHANCING EVERYDAY LIVING

Interim Report 2021



Pharmaceutical

Nutraceutical



This interim report 2021 (both English and Chinese versions) ("Interim Report") has been posted on the Company's website at [www.ck-lifesciences.com](http://www.ck-lifesciences.com). Shareholders who have chosen (or are deemed to have consented) to read the Company's corporate communications (including but not limited to the Interim Report) published on the Company's website in place of receiving printed copies thereof may request the printed copy of the Interim Report in writing to the Company c/o the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to [cklife.ecom@computershare.com.hk](mailto:cklife.ecom@computershare.com.hk).

Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Interim Report posted on the Company's website will upon request in writing to the Company c/o the Company's Branch Share Registrar or by email to [cklife.ecom@computershare.com.hk](mailto:cklife.ecom@computershare.com.hk) promptly be sent the Interim Report in printed form free of charge.

Shareholders may at any time choose to change their choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's corporate communications by reasonable prior notice in writing to the Company c/o the Company's Branch Share Registrar or sending a notice to [cklife.ecom@computershare.com.hk](mailto:cklife.ecom@computershare.com.hk).

Shareholders who have chosen to receive printed copy of the corporate communications in either English or Chinese version will receive both English and Chinese versions of the Interim Report since both language versions are bound together into one booklet.

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# Corporate Information and Key Date

## BOARD OF DIRECTORS

### Executive Directors

LI Tzar Kuoi, Victor	<i>Chairman</i>
KAM Hing Lam	<i>President</i>
IP Tak Chuen, Edmond	<i>Senior Vice President and Chief Investment Officer</i>
YU Ying Choi, Alan Abel	<i>Vice President and Chief Executive Officer</i>
TOH Kean Meng, Melvin	<i>Vice President and Chief Scientific Officer</i>

### Non-executive Directors

Peter Peace TULLOCH	<i>Non-executive Director</i>
KWOK Eva Lee	<i>Independent Non-executive Director</i>
Colin Stevens RUSSEL	<i>Independent Non-executive Director</i>
KWAN Kai Cheong	<i>Independent Non-executive Director</i>
Paul Joseph TIGHE	<i>Independent Non-executive Director</i>
Donald Jeffrey ROBERTS	<i>Independent Non-executive Director</i>

## AUDIT COMMITTEE

KWAN Kai Cheong (*Chairman*)  
Paul Joseph TIGHE  
Donald Jeffrey ROBERTS

## REMUNERATION COMMITTEE

KWOK Eva Lee (*Chairperson*)  
LI Tzar Kuoi, Victor  
Colin Stevens RUSSEL

## NOMINATION COMMITTEE

Paul Joseph TIGHE (*Chairman*)  
LI Tzar Kuoi, Victor  
Donald Jeffrey ROBERTS

## SUSTAINABILITY COMMITTEE

IP Tak Chuen, Edmond (*Chairman*)  
Paul Joseph TIGHE  
Eirene YEUNG

## EXECUTIVE COMMITTEE

LI Tzar Kuoi, Victor (*Chairman*)  
KAM Hing Lam  
IP Tak Chuen, Edmond  
YU Ying Choi, Alan Abel  
TOH Kean Meng, Melvin  
MO Yiu Leung, Jerry

## COMPANY SECRETARY

Eirene YEUNG

## AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond  
Eirene YEUNG

## COMPLIANCE OFFICER

YU Ying Choi, Alan Abel

## CHIEF FINANCIAL OFFICER

MO Yiu Leung, Jerry

## Corporate Information and Key Date (Cont'd)

### PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited  
Bank of China (Hong Kong) Limited  
Canadian Imperial Bank of Commerce  
Commonwealth Bank of Australia  
The Hongkong and Shanghai Banking Corporation Limited  
Mizuho Bank, Ltd.  
National Australia Bank Limited  
Oversea-Chinese Banking Corporation Limited

### AUDITOR

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*

### LEGAL ADVISERS

Woo, Kwan, Lee & Lo

### REGISTERED OFFICE

P.O. Box 309GT  
Ugland House  
South Church Street  
Grand Cayman  
Cayman Islands

### HEAD OFFICE

2 Dai Fu Street  
Tai Po Industrial Estate  
Tai Po  
Hong Kong

### PRINCIPAL PLACE OF BUSINESS

7th Floor, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A  
Block 3, Building D  
P.O. Box 1586  
Gardenia Court  
Camana Bay  
Grand Cayman, KY1-1100  
Cayman Islands

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Rooms 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### STOCK CODES

The Stock Exchange of Hong Kong Limited: 0775  
Bloomberg: 775 HK  
Reuters: 0775.HK

### WEBSITE

[www.ck-lifesciences.com](http://www.ck-lifesciences.com)

### KEY DATE

Interim Results Announcement 3 August 2021

# Chairman's Statement

## 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.

## Chairman's Statement (Cont'd)

### ***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 Na<sub>v</sub>1.7 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, recognising the need for prioritisation 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.

## Chairman's Statement (Cont'd)

### **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.



## Chairman's Statement (Cont'd)

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

# Directors' Biographical Information

## **LI Tzar Kuoi, Victor**

aged 57, has been the Chairman of the Company since 2002. Mr. Li has been the Chairman of the Executive Committee of the Company since February 2021 and has been a member of the Remuneration Committee of the Company since March 2005. Mr. Li has been a member of the Nomination Committee of the Company since January 2019 and acted as the Chairman of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Li is the Chairman and Group Co-Managing Director of CK Hutchison Holdings Limited, and the Chairman and Managing Director and the Chairman of the Executive Committee of CK Asset Holdings Limited. He is also the Chairman of CK Infrastructure Holdings Limited, a Non-executive Director of Power Assets Holdings Limited and HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, and a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited and Li Ka Shing (Global) Foundation, the Member Deputy Chairman of Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and a degree of Doctor of Laws, honoris causa (LL.D.). Mr. Li is the elder son of Mr. Li Ka-shing, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a nephew of Mr. Kam Hing Lam, the President of the Company. Mr. Li is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

## Directors' Biographical Information (Cont'd)

### **KAM Hing Lam**

aged 74, is the President of the Company. Mr. Kam had been the President and Chief Executive Officer of the Company since June 2002 and was re-designated as the President of the Company since September 2020. Mr. Kam has been an Executive Committee Member of the Company since February 2021 and was a member of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Kam is Deputy Managing Director of CK Hutchison Holdings Limited, and Deputy Managing Director and Executive Committee Member of CK Asset Holdings Limited. He is also the Group Managing Director of CK Infrastructure Holdings Limited. All the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust which is listed in Hong Kong. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company. Mr. Kam is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

### **IP Tak Chuen, Edmond**

aged 69, is the Senior Vice President and Chief Investment Officer of the Company. He has been the Chairman of the Sustainability Committee of the Company since December 2020 and has been an Executive Committee Member of the Company since February 2021. Mr. Ip was a member of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Ip joined the CK Group in 1993 and the Group in December 1999. He is Deputy Managing Director of CK Hutchison Holdings Limited, and Deputy Managing Director and Executive Committee Member of CK Asset Holdings Limited. He is also an Executive Director and Deputy Chairman of CK Infrastructure Holdings Limited. All the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of Hui Xian Asset Management Limited, the manager of Hui Xian Real Estate Investment Trust which is listed in Hong Kong. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration. Mr. Ip is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

## Directors' Biographical Information (Cont'd)

### **YU Ying Choi, Alan Abel**

aged 66, is the Vice President and Chief Executive Officer of the Company. Mr. Yu had been Vice President and Chief Operating Officer of the Company since June 2002 and was promoted to Vice President and Chief Executive Officer of the Company in September 2020. He has been an Executive Committee Member of the Company since February 2021 and was a member of the Nomination Committee of the Company from January 2019 to November 2020. He holds a Bachelor of Arts degree and a Master's degree in Business Administration and is a fellow member of The Hong Kong Institute of Directors. Mr. Yu has held a number of positions in the consumer finance, food and fast-moving consumer goods sectors in Asia and Australasia. Prior to joining the Group in 2000, he was Worldwide Vice President in a leading US diversified healthcare multinational corporation.

### **TOH Kean Meng, Melvin**

aged 54, is the Vice President and Chief Scientific Officer of the Company. He has been an Executive Committee Member of the Company since February 2021 and was a member of the Nomination Committee of the Company from January 2019 to November 2020. Dr. Toh joined the Group in January 2008 and was previously Vice President, Pharmaceutical Development, of the Company. He holds Bachelor of Medicine and Bachelor of Surgery degrees from the National University of Singapore and a Master of Science degree in Epidemiology from the University of London. He is registered with the Singapore Medical Council and the General Medical Council, United Kingdom. Dr. Toh has over 28 years of experience in clinical medicine and pharmaceutical research and development, and has held various management and scientific positions in Asia and the United States. Prior to joining the Group, Dr. Toh was Director of Clinical Pharmacology in Oncology Development, directing a team of scientists working on the clinical development of new cancer drugs for a leading pharmaceutical firm in the United States.

### **TULLOCH, Peter Peace**

aged 77, has been a Non-executive Director of the Company since April 2002. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Tulloch serves as the Chairman and Non-executive Director of each of Victoria Power Networks Pty Ltd, SA Power Networks and Australian Gas Networks Limited. He is also Chairman and a Non-executive Director of both Powercor Australia Limited and CitiPower Pty Ltd. He is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Tulloch is a Fellow of the Institute of Canadian Bankers and has spent more than 30 years in Asia.

## Directors' Biographical Information (Cont'd)

### **KWOK Eva Lee**

aged 79, has been an Independent Non-executive Director of the Company since June 2002. She has been a member of the Remuneration Committee of the Company since January 2005 and the Chairperson of the Remuneration Committee of the Company since January 2012. She acted as a member of the Audit Committee of the Company from June 2002 to June 2019 and a member of the Nomination Committee of the Company from January 2019 to November 2020. Mrs. Kwok currently serves as the Chair and Chief Executive Officer of Amara Holdings Inc. ("Amara"). Mrs. Kwok also acts as a Director for Cenovus Energy Inc. ("Cenovus Energy"). Mrs. Kwok currently serves as an Independent Non-executive Director and the Chairperson of the Nomination Committee of CK Infrastructure Holdings Limited, and a Director of Li Ka Shing (Canada) Foundation ("LKS Canada Foundation"). She also sits on the Human Resources and Compensation Committee and the Governance Committee of Cenovus Energy. Except for Amara and LKS Canada Foundation, all the companies mentioned above are listed companies. She is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. In addition, she was an Independent Director of Bank of Montreal, a listed company, and previously sat on the Compensation Committee, Corporate Governance Committee and the Audit Committee of Husky Energy Inc., the Audit Committee of CK Infrastructure Holdings Limited, the Audit Committee and Pension Fund Society of the Bank of Montreal, the Nominating and Governance Committee of Shoppers Drug Mart Corporation, the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company, the Corporate Governance Committee of Air Canada, the Innovation Saskatchewan (IS) Board of Directors and the Saskatchewan-Asia Advisory Council of Saskatchewan.

## Directors' Biographical Information (Cont'd)

### **RUSSEL, Colin Stevens**

aged 80, has been an Independent Non-executive Director and a member of the Remuneration Committee of the Company since January 2005. He was a member of the Audit Committee of the Company from January 2005 to July 2020 and a member of the Nomination Committee of the Company from January 2019 to November 2020. He is also an Independent Non-executive Director of CK Asset Holdings Limited and CK Infrastructure Holdings Limited, both listed companies. Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. He is also Managing Director of EMAS (HK) Limited. Mr. Russel is a director of a company controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel received his Bachelor's degree in Electronics Engineering and his Master's degree in Business Administration from McGill University, Canada. He is a Qualified Commercial Mediator.

### **KWAN Kai Cheong**

aged 71, has been an Independent Non-executive Director of the Company since March 2015 and the Chairman of the Audit Committee of the Company since May 2015. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Kwan is Chairman of the Board of GT Land Holdings Limited, a commercial property company in China and Managing Director of Morrison & Company Limited, a business consultancy firm. He worked for Merrill Lynch & Co., Inc. for over 10 years during the period from 1982 to 1993, with his last position as President for its Asia Pacific region. He was formerly Joint Managing Director of Pacific Concord Holding Limited. Mr. Kwan is also an Independent Non-executive Director of HK Electric Investments Limited, HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, Greenland Hong Kong Holdings Limited, Henderson Sunlight Asset Management Limited ("HSAM") as the manager of Sunlight Real Estate Investment Trust and Win Hanverky Holdings Limited and a Non-executive Director of China Properties Group Limited. Mr. Kwan is also a Director of The Hongkong Electric Company, Limited ("HK Electric"). Mr. Kwan was previously an Independent Non-executive Director of Beijing Energy International Holding Co., Ltd. Except for HKEIM, HSAM and HK Electric, all the companies/investment trust mentioned above are listed in Hong Kong. He is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Kwan holds a Bachelor of Accountancy (Honours) degree and is a Fellow of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in Australia and The Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

## Directors' Biographical Information (Cont'd)

### **TIGHE, Paul Joseph**

aged 65, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since June 2019 and a member of the Sustainability Committee of the Company since December 2020. He has been a member of the Nomination Committee of the Company since June 2019 and acted as the Chairman of the Nomination Committee of the Company since December 2020. Mr. Tighe is an Independent Non-executive Director of CK Hutchison Holdings Limited and CK Infrastructure Holdings Limited, both listed companies. He is a former career diplomat with Australia's Department of Foreign Affairs and Trade. He has around 37 years of experience in government and public policy, including 28 years as a diplomat. He has served as Australian Consul-General to Hong Kong and Macau (from 2011 to 2016), Australian Ambassador to Greece, Bulgaria and Albania (from 2005 to 2008), Deputy Head of Mission and Permanent Representative to the United Nations' Economic and Social Commission for Asia and the Pacific at the Australian Embassy in Bangkok (from 1998 to 2001) and as Counsellor in the Australian Delegation to the Organisation for Economic Co-operation and Development in Paris (from 1991 to 1995). In between overseas assignments, Mr. Tighe has held several positions at the headquarters of the Department of Foreign Affairs and Trade in Canberra, including as head of the Department's Trade and Economic Policy Division, head of the Diplomatic Security, Information Management and Services Division, head of the Agriculture and Resources Branch and Director of the International Economic Analysis Section. Before joining the Department of Foreign Affairs and Trade, Mr. Tighe worked in the Overseas Economic Relations Division of the Australian Treasury (from 1986 to 1988), in the Secretariat of the Organisation for Economic Co-operation and Development in Paris (from 1984 to 1986) and in the Australian Industries Assistance Commission (from 1980 to 1984). He holds a Bachelor of Science degree from the University of New South Wales. Mr. Tighe is a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO and a director of a company controlled by a substantial shareholder of the Company.

## Directors' Biographical Information (Cont'd)

### **ROBERTS, Donald Jeffrey**

aged 70, has been an Independent Non-executive Director, a member of the Audit Committee and a member of the Nomination Committee of the Company since July 2020. He is an Independent Non-executive Director of CK Asset Holdings Limited (listed in Hong Kong); an Independent Non-executive Director of HK Electric Investments Manager Limited, which is the trustee-manager of HK Electric Investments ("HKEI"), and HK Electric Investments Limited, a company listed together with HKEI in Hong Kong; an Independent Non-executive Director of Queen's Road Capital Investment Ltd. (listed in Canada); and an Independent Non-executive Director of NexGen Energy Ltd. (listed in both the U.S.A. and Canada). He is also a Director of The Hongkong Electric Company, Limited, and an Independent Non-executive Director of Welab Bank Limited and Welab Capital Limited. He is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of SFO. He joined the Hutchison Whampoa Limited ("HWL") Group in 1988 and was the Group Deputy Chief Financial Officer of HWL from 2000 until his retirement in 2011. Mr. Roberts was a Member of the Listing Committee of the Main Board and GEM of The Stock Exchange of Hong Kong Limited from July 2015 to July 2020. He was previously a member of the Executive Committee of The Canadian Chamber of Commerce (the "Chamber") in Hong Kong and is currently Governor of the Chamber. He previously served as a Governor of the Canadian International School of Hong Kong for the periods between 1998 to 2004, and between 2006 to 2012, and also a member on its Finance & Administration Committee. Mr. Roberts served as a member, including as the Deputy Chairman, of the Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants ("HKICPA") for 9 years. Mr. Roberts holds a Bachelor of Commerce degree. He is a Chartered Accountant with the Chartered Professional Accountants of Canada, Alberta and British Columbia, and also a Fellow of the HKICPA.



## 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.

## Financial Review (Cont'd)

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

# Condensed Consolidated Statement of Comprehensive Income

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

# Condensed Consolidated Statement of Financial Position

		As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
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
		<b>8,684,276</b>	8,685,997
<b>Current assets</b>			
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
		<b>3,154,815</b>	3,291,672
<b>Current liabilities</b>			
Payables and accruals	13	(682,891)	(806,086)
Bank borrowings	14	(924,000)	–
Lease liabilities		(72,247)	(73,701)
Taxation		(40,533)	(35,786)
		<b>(1,719,671)</b>	(915,573)
<b>Net current assets</b>		<b>1,435,144</b>	2,376,099
<b>Total assets less current liabilities</b>		<b>10,119,420</b>	11,062,096

## Condensed Consolidated Statement of Financial Position (Cont'd)

	<i>Notes</i>	<b>As at 30 June 2021 (unaudited) HK\$'000</b>	<b>As at 31 December 2020 (audited) HK\$'000</b>
<b>Non-current liabilities</b>			
Bank borrowings	14	<b>(3,576,599)</b>	(4,502,861)
Lease liabilities		<b>(498,870)</b>	(513,939)
Other borrowings	15	<b>(1,100,000)</b>	(1,100,000)
Deferred taxation		<b>(219,821)</b>	(216,623)
Retirement benefit obligations		<b>(10,851)</b>	(10,214)
		<b>(5,406,141)</b>	(6,343,637)
<b>Total net assets</b>		<b>4,713,279</b>	4,718,459
<b>Capital and reserves</b>			
Share capital	16	<b>961,107</b>	961,107
Share premium and reserves		<b>3,754,912</b>	3,760,092
<b>Equity attributable to shareholders of the Company</b>			
Non-controlling interests of a subsidiary		<b>4,716,019</b> <b>(2,740)</b>	4,721,199 (2,740)
<b>Total equity</b>		<b>4,713,279</b>	4,718,459

# Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital (unaudited) <i>HK\$'000</i>	Share premium (unaudited) <i>HK\$'000</i>	Investment at fair value through other comprehensive income		Translation reserve (unaudited) <i>HK\$'000</i>	Asset revaluation reserve (unaudited) <i>HK\$'000</i>	Other reserves (unaudited) <i>HK\$'000</i>	Retained earnings (unaudited) <i>HK\$'000</i>	Sub-total (unaudited) <i>HK\$'000</i>	Attributable to non-controlling interests of subsidiaries (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
			reserve	reserve							
			(unaudited) <i>HK\$'000</i>	(unaudited) <i>HK\$'000</i>							
<b>2020</b>											
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	
<b>2021</b>											
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	<b>29,566</b>	125,766
Net cash outflow from investing activities	<b>(131,963)</b>	(239,057)
Net cash (outflow)/inflow from financing activities	<b>(183,896)</b>	20,532
Decrease in cash and cash equivalents	<b>(286,293)</b>	(92,759)
Cash and cash equivalents at beginning of the period	<b>958,998</b>	696,504
Effect of foreign exchange rate changes	<b>314</b>	(7,297)
Cash and cash equivalents at end of the period	<b>673,019</b>	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.

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 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 HK\$'000	2020 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
	<b>2,638,388</b>	2,379,530

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.

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 3. REVENUE AND SEGMENT INFORMATION (CONT'D)

#### B. Segment results

An analysis of the segment results is as follows:

	For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Segment results		
Agriculture-related	<b>132,423</b>	110,624
Health	<b>187,938</b>	187,548
	<b>320,361</b>	298,172
Unallocated other income, gains or losses	<b>4,211</b>	(6,335)
Research and development expenditure	<b>(97,711)</b>	(49,685)
Corporate expenses	<b>(39,112)</b>	(38,917)
Finance costs	<b>(48,854)</b>	(76,285)
Profit before taxation	<b>138,895</b>	126,950
Taxation	<b>(38,501)</b>	(39,509)
Profit for the period	<b>100,394</b>	87,441

### 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.

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 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
	<b>38,501</b>	39,509

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
	HK\$'000	HK\$'000
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	(1,394)	(3,483)

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 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 HK\$'000	2020 HK\$'000
<b>Profit for the period attributable to shareholders of the Company</b>		
Profit for calculating basic and diluted earnings per share	<b>100,394</b>	87,441
<b>Number of shares</b>		
Number of ordinary shares in issue used in the calculation of basic and diluted earnings per share	<b>9,611,073,000</b>	9,611,073,000

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
<b>Valuation</b>	
At 1 January 2021	<b>2,032,170</b>
Additions	<b>26,795</b>
Exchange differences	<b>(12,674)</b>
<b>At 30 June 2021</b>	<b>2,046,291</b>

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Vines HK\$'000	Salt fields HK\$'000	Construction in progress HK\$'000	Laboratory instruments, plant and equipment HK\$'000	Furniture, fixtures and other assets HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
<b>Cost or valuation</b>								
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)
<b>At 30 June 2021</b>	<b>657,000</b>	<b>725,801</b>	<b>532,551</b>	<b>137,995</b>	<b>1,203,786</b>	<b>187,827</b>	<b>284,973</b>	<b>3,729,933</b>
<b>Depreciation and impairment</b>								
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)
<b>At 30 June 2021</b>	<b>125,875</b>	<b>289,557</b>	<b>–</b>	<b>–</b>	<b>676,159</b>	<b>144,355</b>	<b>115,840</b>	<b>1,351,786</b>
<b>Carrying values</b>								
<b>At 30 June 2021</b>	<b>531,125</b>	<b>436,244</b>	<b>532,551</b>	<b>137,995</b>	<b>527,627</b>	<b>43,472</b>	<b>169,133</b>	<b>2,378,147</b>
At 31 December 2020	539,043	439,424	520,787	102,632	537,393	45,374	164,347	2,349,000

### 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
	<b>432,962</b>	466,774

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 12. INTANGIBLE ASSETS

	Development costs <i>HK\$'000</i>	Patents <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Brand name and trademarks <i>HK\$'000</i>	Customer relationships <i>HK\$'000</i>	Water rights <i>HK\$'000</i>	Other intangible assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>								
At 1 January 2021	423,776	147	2,848,492	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
<b>At 30 June 2021</b>	<b>431,632</b>	<b>146</b>	<b>2,856,628</b>	<b>132,654</b>	<b>384,180</b>	<b>336,308</b>	<b>32,214</b>	<b>4,173,762</b>
<b>Amortisation and impairment</b>								
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
<b>At 30 June 2021</b>	<b>496</b>	<b>122</b>	<b>–</b>	<b>–</b>	<b>381,263</b>	<b>16,718</b>	<b>19,655</b>	<b>418,254</b>
<b>Carrying values</b>								
<b>At 30 June 2021</b>	<b>431,136</b>	<b>24</b>	<b>2,856,628</b>	<b>132,654</b>	<b>2,917</b>	<b>319,590</b>	<b>12,559</b>	<b>3,755,508</b>
At 31 December 2020	423,298	25	2,848,492	130,696	5,124	320,729	13,292	3,741,656

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 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
<b>Trade receivables</b>		
0-90 days	<b>738,568</b>	718,412
Over 90 days	<b>67,433</b>	44,944
	<b>806,001</b>	763,356
<b>Trade payables</b>		
0-90 days	<b>258,519</b>	306,503
Over 90 days	<b>6,628</b>	7,626
	<b>265,147</b>	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.



## Notes to the Condensed Consolidated Financial Statements (Cont'd)

### 16. SHARE CAPITAL

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

### 17. 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
<b>As at 30 June 2021</b>				
<b>Financial assets mandatorily measured at fair value through profit or loss</b>				
Non-derivative financial assets held for trading	11,320	–	–	11,320
<b>As at 31 December 2020</b>				
<b>Financial assets mandatorily measured at fair value through profit or loss</b>				
Non-derivative financial assets held for trading	12,714	–	–	12,714

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.

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

## 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.

# Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2021, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (“Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

## LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
Li Tzar Kuoi, Victor	Beneficial owner & interest of controlled corporations	2,250,000	-	2,835,759,715 (Note 1)	-	2,838,009,715	29.52%
Kam Hing Lam	Interest of child or spouse	-	6,225,000	-	-	6,225,000	0.06%
Ip Tak Chuen, Edmond	Beneficial owner	2,250,000	-	-	-	2,250,000	0.02%
Yu Ying Choi, Alan Abel	Beneficial owner	2,250,000	-	-	-	2,250,000	0.02%
Peter Peace Tulloch	Beneficial owner	1,050,000	-	-	-	1,050,000	0.01%
Kwok Eva Lee	Beneficial owner	200,000	-	-	-	200,000	0.002%
Donald Jeffrey Roberts	Interests held jointly	-	-	-	816,000 (Note 2)	816,000	0.008%

Notes:

- Such 2,835,759,715 shares are held by two subsidiaries of Li Ka Shing Foundation Limited (“LKSF”). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at the general meetings of LKSF.
- Such 816,000 shares are jointly held by Mr. Donald Jeffrey Roberts and his wife.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2021, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

# Interests and Short Positions of Shareholders

So far as is known to any Director or chief executive of the Company, as at 30 June 2021, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

## (1) LONG POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES OF THE COMPANY

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Gold Rainbow Int'l Limited	Beneficial owner	4,355,634,570	45.31%
Gotak Limited	Interest of a controlled corporation	4,355,634,570 (Note i)	45.31%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	4,355,634,570 (Note ii)	45.31%
CK Hutchison Holdings Limited	Interest of controlled corporations	4,355,634,570 (Note iii)	45.31%
Trueway International Limited	Beneficial owner	2,119,318,286	22.05%
Li Ka Shing Foundation Limited	Interest of controlled corporations	2,835,759,715 (Note iv)	29.50%
Li Ka-shing	Interest of controlled corporations	2,835,759,715 (Note v)	29.50%

## Interests and Short Positions of Shareholders (Cont'd)

### (2) LONG POSITIONS OF OTHER PERSONS IN THE SHARES OF THE COMPANY

Name	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Triluck Assets Limited	Beneficial owner	716,441,429	7.45%

#### Notes:

- i. This represents the same block of shares in the Company as shown against the name of Gold Rainbow Int'l Limited ("Gold Rainbow") above. Since Gold Rainbow is wholly-owned by Gotak Limited, Gotak Limited is deemed to be interested in the same number of shares in which Gold Rainbow is interested under the SFO.
- ii. As Gotak Limited is wholly-owned by Cheung Kong (Holdings) Limited ("CKH"), CKH is deemed to be interested in the same number of shares which Gotak Limited is deemed to be interested under the SFO.
- iii. As CKH is wholly-owned by CK Hutchison Holdings Limited ("CK Hutchison"), CK Hutchison is deemed to be interested in the same number of shares which CKH is deemed to be interested under the SFO.
- iv. Trueway International Limited ("Trueway") and Triluck Assets Limited ("Triluck") are wholly-owned by LKSF and LKSF is deemed to be interested in a total of 2,835,759,715 shares under the SFO, being the aggregate of the shares in which Trueway and Triluck are interested as shown against the names Trueway and Triluck above.
- v. By virtue of the terms of the constituent documents of LKSF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at the general meetings of LKSF. Mr. Li Ka-shing is deemed to be interested in the same number of shares in which LKSF is deemed to be interested as mentioned above under the SFO.

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

# Corporate Governance

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.

## (1) BOARD COMPOSITION AND BOARD PRACTICES

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders’ value. The Board consists of a total of eleven Directors, comprising five Executive Directors, one Non-executive Director and five Independent Non-executive Directors. More than one-third of the Board are Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company’s Articles of Association and the CG Code.

The positions of the Chairman and the Chief Executive Officer are currently held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group’s business.

All Directors have made active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group. In addition to regular Board meetings, the Chairman meets with the Independent Non-executive Directors without the presence of other Directors at least once every year.

## Corporate Governance (Cont'd)

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The Company Secretary and the Compliance Officer are also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, the Securities and Futures Ordinance and other applicable laws, rules and regulations.

### **(2) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions effective from 8 September 2008, which has been revised and adopted from time to time. Confirmation has been received from all relevant Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2021.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Human Resources Manual of the Company.

### **(3) RISK MANAGEMENT AND INTERNAL CONTROLS**

The Company has an internal audit function in place to provide an independent assessment of the Group's risk management and internal control systems and review of their effectiveness in accordance with the CG Code. The Internal Audit Department prepares its audit plan using a risk based methodology in consultation with, but independent of, the management for review by the audit committee of the Company ("Audit Committee"). The audit work focuses on financial, operational and compliance controls review and those areas of the Group's activities with significant perceived risks. An integral part of the internal audit function is to monitor and ensure effective implementation of the risk management and internal control systems.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the six months ended 30 June 2021.

## Corporate Governance (Cont'd)

### (4) AUDIT COMMITTEE

The Company established the 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 report for the six months ended 30 June 2021 has been reviewed by the Audit Committee.

### (5) 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.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and management, and reviewing the remuneration packages of all Executive Directors and management with reference to the corporate goals and objectives of the Board resolved from time to time.

### (6) 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.

The principal responsibilities of the Nomination Committee include reviewing the structure, size, diversity profile and skills matrix of the Board and independence of the Independent Non-executive Directors and making recommendation on the re-election of Directors for the Board's consideration.



### **(7) 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.

### **(8) INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS**

The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose to receive such documents using electronic means through the Company’s website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company’s website offers a communication channel between the Company and its shareholders and stakeholders; (v) press conferences and briefing meetings with analysts are arranged from time to time, where applicable, to update on the performance of the Group; (vi) the Company’s Branch Share Registrar deals with shareholders for share registration and related matters; and (vii) the Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally.

In compliance with the CG Code, the Company has established a shareholders communication policy in March 2012 which is subject to review on a regular basis to ensure its effectiveness.

## Other Information

### **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.

### **RISK FACTORS**

The Group's businesses, financial conditions, results of operations or growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Interim Report does not constitute a recommendation or advice to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

### **Global Economy**

The ongoing COVID-19 pandemic and associated community shutdowns have a widespread and severe impact on worldwide economic activity. Despite gradual relaxation or lifting of most lockdown measures in certain nations, the pace of recovery is constrained by the spread of new coronavirus variants and uneven vaccination across countries. The global economic outlook still depends on the development of the health crisis, including the duration, spread, severity and any recurrence of the pandemic, the efficacy and availability of vaccines, and the nature and severity of measures adopted by governments. International trade relations, uncertainties following Brexit, the fluctuation of major currencies, the increasing geopolitical tensions, as well as the development of global inflation, interest rate and oil prices, all have created uncertainties in the world economy and global financial market. A severe slowdown in global economic growth could lead to economic contractions in certain markets, commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. The Group has investments in different countries and cities around the world. Any adverse economic conditions in those countries and cities in which the Group operates may potentially impact on the Group's businesses, financial conditions or results of operations, asset value and liabilities.

### **Outbreak of Highly Contagious Disease**

The continuing COVID-19 pandemic in different parts of the world, including the places of businesses at which the Group operates, has a significant adverse impact on most economies due to the community standstill, disruption of business activities, behavioral change, weakened sentiment in consumption, restricted labour supply and production and confidence effects, in addition to travel restrictions. The situation of COVID-19 outbreak has stabilised following the rollout of vaccines, but the development of the pandemic remains highly volatile and unpredictable. The rapid spread of new COVID-19 variants and any resurgence of the pandemic may cause disruption of operational activities and loss of life, and may pose a negative impact on the Group's businesses, financial conditions, results of operations or growth prospects. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease, and if such an outbreak were to occur, it may have an adverse impact on the operations of the Group and its results of operations may suffer.

### **Highly Competitive Markets**

The Group's principal business operations face significant competition and rapid technological change across the markets in which they operate. New market entrants, intensified price competition among existing competitors, possible substitution of imports for locally manufactured products and the acceptability of the Group's products by the market could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects. Likewise, product innovation and technical advancement may render the Group's existing and potential applications and products and its own research and development efforts obsolete or non-competitive.

## Other Information (Cont'd)

### Research and Development

Research and development conducted by the Group is a lengthy and expensive process involving a lot of trial testing in order to demonstrate that the products are effective and safe for commercial sale. Successful results in the early stage of the trial process may, upon further review, be revised or negated by regulatory authorities or by later stage trial results and there is no assurance that any of the research and development activities will produce positive results. There may be challenges in patient recruitment for the necessary trials, for example, in terms of the ability to recruit the necessary number of appropriate patients and the speed of enrollment to achieve the standard needed. There is no assurance of adequate funding to complete the trials required for regulatory approval. The regulatory authorities may also impose additional trials or other requirements before approval for commercial sale.

In addition, recruiting and retaining qualified scientific personnel to perform research and development work will be critical to the success of the Group and there can be no assurance that the Group will be able to attract and retain such personnel on acceptable terms given the competition for experienced scientists from numerous specialised biotechnology firms, pharmaceutical and chemical companies, universities and other research institutions. Failure to recruit and retain such skilled personnel could delay the research and development and product commercialisation programs of the Group.

Some of the Group's operations are subject to extensive and rigorous government regulations relating to the development, testing, manufacture, safety, efficacy, record-keeping, labeling, storage, approval, advertising, promotion and sale and distribution of the products. The regulatory review and approval process (which requires the submission of extensive data and supporting information to establish the products' safety, efficacy and potency) can be lengthy, expensive and uncertain and there can be no assurance that any of the Group's products will be approved for marketing and sale. The policies or administrative standards of the relevant regulatory bodies may change from time to time and there can be no assurance that products that have been approved for marketing and sale do not need to be recalled at a later stage in order to comply with subsequent new requirements.

### Intellectual Property

The success of the Group will depend in part on whether it is able to obtain and enforce patent protection for its products and processes. No assurance can be given as to whether patent rights may be granted to the Group and that the patents granted will be sufficiently broad in their scope to provide protection and exclude competitors with similar products. Even when granted the patents may still be susceptible to revocation or attack by third parties. It is also not possible to determine with certainty whether there are any conflicting third party rights which may affect the Group's current commercial strategy and intellectual property portfolios. The Group may become involved in litigation in enforcing its intellectual property rights and/or be sued by third parties for alleged infringement and the result of such litigation is difficult to predict and may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

### Industry Trends and Interest Rates

The trends in the industries in which the Group operates, including market sentiment and conditions, the consumption power of the general public, mark to market value of investment securities, the currency environment and interest rate cycles, may pose significant risks to the Group's businesses, financial conditions, results of operations or growth prospects. There can be no assurance that the combination of industry trends and interest rates the Group experiences in the future will not adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

In particular, income from finance and treasury operations is dependent upon the capital market, interest rate and currency environment, and the worldwide economic and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's businesses, financial conditions, results of operations or growth prospects. The volatility in the financial markets may also adversely affect the income to be derived by the Group from its finance and treasury activities.

### Loan Renewal and Refinancing

The Group is partially financed by loans from banks and other sources. These loans have fixed terms and are subject to renewal or refinancing upon maturity. The success or otherwise in renewal or refinancing of the loans will affect the liquidity of the Group.

### Risk of Asset Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised in profit or loss. The result of the Group will be affected by such asset impairment tests which are carried out at the end of each reporting period.

### Currency Fluctuations

The results of the Group are recorded in Hong Kong dollars but its various subsidiaries and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's financial position or potential income, asset value and liabilities. Although currency exposures have been managed by the Group, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollar could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

## Other Information (Cont'd)

### Fluctuations in Treasury Investment Valuation

The Group invests in various listed and unlisted entities, which are carried on the balance sheet at fair value. The performance of the Group is therefore subject to the change in the fair value of these investments.

### Cybersecurity

With the fast expanding adoption of internet and networking operational technology, cyberattacks around the world are occurring at a higher frequency and intensity. The Group's information assets are exposed to attack, damage or unauthorised access in the cyberworld. Cybersecurity risks could have material adverse effect on the operational and business performance, as well as the business reputation of the Group.

Although the Group has not experienced any major damage to its projects, assets or activities from cyberattacks to date, there can be no assurance that future cyberattacks or breaches of the Group's cybersecurity will not occur and result in significant impact on the Group's reputation, business, results of operations and financial conditions.

### Strategic Partners

Some of the businesses of the Group are conducted through non wholly-owned subsidiaries and joint ventures in which the Group shares control (in whole or in part) and strategic alliances had been formed by the Group with other strategic or business partners. There can be no assurance that any of these strategic or business partners will continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non wholly-owned subsidiaries and joint ventures and the markets in which they operate. Furthermore, the joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group; (b) take actions contrary to the Group's policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfill their obligations under the joint ventures, which may affect the Group's businesses, financial conditions, results of operations or growth prospects.

### Impact of Local, National and International Regulations

The local business risks in different countries and cities in which the Group operates could have a material impact on the businesses, financial conditions, results of operations or growth prospects. The Group has investments in different countries and cities around the world and the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory and environmental requirements at the local, national or international level. Also, new guidelines, directives, policies or measures by governments, whether fiscal, tax, regulatory, environmental or other competitive changes, may lead to an increase in additional or unplanned operating expenses and capital expenditures, increase in market capacity, pose a risk to the overall investment return of the Group's businesses and may delay or prevent the commercial operation of a business with resulting loss of revenue and profit, which may have an impact on the Group's businesses, financial conditions, results of operations or growth prospects.

### Compliance with Personal Data Protection Legislation

In the ordinary course of its operations, various businesses of the Group collect, store and use data that is protected by personal data protection laws in the different countries in which they operate. As regulatory focus on privacy issue continues to increase and worldwide laws and regulations concerning the handling of personal information expand and become more complex, potential risks related to personal data collection and use within the Group's businesses are expected to intensify.

In the event that any relevant business of the Group is unable to meet its obligations under applicable data protection laws, it may be subject to regulatory action or civil claims. The cost of regulatory or legal action, and any monetary and/or reputational damage suffered as a result of such action, could have a material adverse effect on the Group's financial conditions and results of operations.

### Wine and Vineyard Market

The Group is among the largest vineyard owners in Australasia in terms of hectareage and top ten in the world. The vineyards of the Group are mostly leased to well-established wine industry operators and provide immediate and recurring cashflow to the Group. The continued success of the Group will depend in part on its ability to maintain such cashflow. There is no assurance that the Group's tenants will observe the terms of the leases and continue to pay the rent during their existing lease term, or that the leases will be renewed at favorable terms upon their expiries. Tenants of the Group's vineyards export wine to, amongst other countries, the United Kingdom ("UK") and China. The exit of the UK from the European Union and the tension between China and Australia may have adverse effects affecting exports of wine by our tenants and their ability to keep up rental payment. Furthermore, the market value of the vineyard portfolio is subject to currency fluctuations which may impact on the Group's income or financial position.

## Other Information (Cont'd)

### Social Incidents and Terrorist Threat

The Group is a diversified company with businesses in Asia, Australasia and North America. In recent years, a series of social incidents and terrorist activities occurred across the globe that resulted in economic losses, multiple deaths and casualties. There can be no assurance that countries in which the Group operates will not have any social incidents or they will be immune from terrorist threat, and if these events occur, it may have an adverse impact on the Group's businesses, financial conditions, results of operations or growth prospects.

### Impact of New Accounting Standards

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has from time to time issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). HKICPA may in the future issue new and revised standards and interpretations. In addition, interpretations on the application of the HKFRSs will continue to develop. These factors may require the Group to adopt new accounting policies. The adoption of new accounting policies or new HKFRSs might or could have a significant impact on the Group's financial position, results of operations or profit growth.

### Connected Transactions

CK Hutchison Holdings Limited ("CK Hutchison") is also listed on The Stock Exchange of Hong Kong Limited. Although the Group believes that its relationship with CK Hutchison provides it with significant business advantages, the relationship results in various connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and accordingly any transactions entered into between the Group and CK Hutchison, its subsidiaries or associates are connected transactions, which, unless one of the exemptions is available, will be subject to compliance with the applicable requirements of the Listing Rules, including the issuance of announcements, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts. Independent shareholders' approval requirements may also lead to unpredictable outcomes causing disruptions to as well as an increase in the risks of the Group's business activities. Independent shareholders may also take actions that are in conflict with the interests of the Group.



### Mergers and Acquisitions

The Group has undertaken merger and acquisition activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. In pursuit of new business opportunities, the Group is experiencing more intense competition where competing bidders are more aggressive in the valuation of the assets on the back of abundant market liquidity and lower return requirements. The pressure to deploy capital has been significant. Although due diligence and detailed analysis are conducted before merger and acquisition activities are undertaken, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by the Group and by professionals alike are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate or that they will receive universal recognition. Relevant facts and circumstances used in the analyses could have changed over time, and new facts and circumstances may come to light as to render the previous assumptions and the valuations and analyses based thereon obsolete. COVID-19 has introduced more market uncertainty and has also imposed logistical restrictions on the ability to conduct due diligence according to the Group's usual procedures. Some of these merger and acquisition activities are subject to regulatory approvals in overseas countries and there can be no assurance that such approvals will be obtained, and even if granted, that there will be no burdensome conditions attached to such approvals. The Group may not necessarily be able to successfully integrate the target business into the Group and may not be able to derive any synergy from the acquisition, leading to an increase in costs, time and resources. For merger and acquisition activities undertaken overseas, the Group may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level. The Group may also need to face different cultural issues when dealing with local employees, customers, governmental authorities and pressure groups.

## Other Information (Cont'd)

### **Natural Disasters, Climate Change and Environmental Change**

Some of the Group's assets and businesses, and many of the Group's customers and suppliers are located in areas at risk of damage from earthquakes, floods, drought, fire, frost and similar disasters and the occurrence of any of these disasters could disrupt the Group's business and materially and adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

There can be no assurance that earthquakes, floods, drought or other natural disasters will not occur and result in major damage to the Group's assets or facilities, which could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Climatic changes affect demand, availability, quality and pricing of many of our products as well as those of our customers, especially in the agriculture-related sector, affecting business performance. Furthermore, on-going climate change may trigger off serious natural events like drought and bushfires that may destroy or damage the Group's assets such as land and vineyards.

Changes in environmental conditions, such as increase in pollution, may affect the performance of some of our assets. For example, pollution of sea water may have an impact on the productivity of solar salt fields.

### **Past Performance and Forward Looking Statements**

The past performance and the results of operations of the Group as contained in this Interim Report are historical in nature and past performance can be no guarantee of future results of the Group. This Interim Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this Interim Report; and (b) any liability in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.