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The United Laboratories International Holdings Limited

聯邦制藥國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3933)

Interim Results Announcement

For the six months ended 30 June 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Increase
	2022	2021	
	RMB'000	RMB'000	
Revenue	5,181,925	4,719,054	9.8%
EBITDA	1,140,996	1,056,821	8.0%
Profit before taxation	826,954	722,204	14.5%
Profit for the period attributable to the owners of the Company	629,517	623,076	1.0%
	RMB cents	RMB cents	
Earnings per share - Basic	34.55	33.86	2.0%
Interim dividend (per share)	5.0	4.0	25.0%

The Board of Directors (the “Board”) of The United Laboratories International Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	5,181,925	4,719,054
Cost of sales		<u>(2,927,960)</u>	<u>(2,623,182)</u>
Gross profit		2,253,965	2,095,872
Other income	4	72,641	66,407
Other gains and losses, net	5	(71,251)	(8,508)
Selling and distribution expenses		(805,744)	(753,350)
Administrative expenses		(344,847)	(336,500)
Research and development expenditures		(242,607)	(203,165)
Other expenses		(1,022)	(613)
Impairment loss under expected credit loss model, net of reversal		(12,379)	(105,578)
Finance costs	6	<u>(21,802)</u>	<u>(32,361)</u>
Profit before taxation		826,954	722,204
Tax expense	7	<u>(197,437)</u>	<u>(97,586)</u>
Profit for the period	8	<u>629,517</u>	<u>624,618</u>
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>2,214</u>	<u>474</u>
Total comprehensive income for the period		<u>631,731</u>	<u>625,092</u>
Profit for the period attributable to:			
Owners of the Company		629,517	623,076
Non-controlling interests		<u>-</u>	<u>1,542</u>
		<u>629,517</u>	<u>624,618</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		631,731	623,550
Non-controlling interests		<u>-</u>	<u>1,542</u>
		<u>631,731</u>	<u>625,092</u>
Earnings per share	9	RMB cents	RMB cents
- Basic		<u>34.55</u>	<u>33.86</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	5,825,419	5,842,295
Right-of-use assets		248,099	227,174
Goodwill		3,031	3,031
Intangible assets		111,344	119,826
Deposit for acquisition of land use rights		7,262	7,262
Deposits for acquisition of property, plant and equipment		98,105	61,917
Financial asset at fair value through profit or loss		500	500
Deferred tax assets		81,342	82,782
		<u>6,375,102</u>	<u>6,344,787</u>
Current assets			
Inventories		2,218,773	2,004,029
Trade and bills receivables, other receivables, deposits and prepayments	12	4,077,763	3,799,905
Other pledged deposits		6,000	24,000
Pledged bank deposits	15	638,845	827,389
Bank balances and cash		4,037,956	3,331,009
		<u>10,979,337</u>	<u>9,986,332</u>
Current liabilities			
Trade and other payables	13	4,801,319	4,699,608
Contract liabilities		89,198	107,955
Derivative financial instruments		6,929	5,812
Dividend payables	10	181,757	-
Lease liabilities		3,830	3,871
Tax payables		128,367	108,094
Borrowings - due within one year		1,654,672	1,609,906
		<u>6,866,072</u>	<u>6,535,246</u>
Net current assets		<u>4,113,265</u>	<u>3,451,086</u>
Total assets less current liabilities		<u>10,488,367</u>	<u>9,795,873</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT 30 JUNE 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		200,877	172,309
Deferred income in respect of government grants	13	50,303	55,319
Lease liabilities		5,796	7,125
Borrowings - due after one year		482,198	221,212
		739,174	455,965
		9,749,193	9,339,908
Capital and reserves			
Share capital		16,970	17,125
Reserves		9,732,807	9,323,367
Equity attributable to owners of the Company		9,749,777	9,340,492
Non-controlling interests		(584)	(584)
Total Equity		9,749,193	9,339,908

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from the application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018 - 2020

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is currently organised into three revenue streams, including Intermediate products, Bulk medicine and Finished products. These three revenue streams are the operating and reportable segments of the Group on which the Group reports its primary segment information.

(a) Segment Revenue and Results

For the six months ended 30 June 2022 (Unaudited)

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Segments total RMB'000	Elimination RMB'000	Consolidated RMB'000
REVENUE						
External sales	740,849	2,553,424	1,887,652	5,181,925	-	5,181,925
Inter-segment sales	1,222,023	305,300	-	1,527,323	(1,527,323)	-
Segment revenue	<u>1,962,872</u>	<u>2,858,724</u>	<u>1,887,652</u>	<u>6,709,248</u>	<u>(1,527,323)</u>	<u>5,181,925</u>
RESULTS						
Segment profit	<u>429,082</u>	<u>183,367</u>	<u>307,382</u>			919,831
Unallocated other income						41,586
Unallocated corporate expenses						(58,730)
Unallocated other gains and losses, net						(49,185)
Impairment losses under expected credit loss model, net of reversal						(4,746)
Finance costs						<u>(21,802)</u>
Profit before taxation						<u>826,954</u>

For the six months ended 30 June 2021 (Unaudited)

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Segments total RMB'000	Elimination RMB'000	Consolidated RMB'000
REVENUE						
External sales	821,965	1,968,210	1,928,879	4,719,054	-	4,719,054
Inter-segment sales	812,616	314,179	-	1,126,795	(1,126,795)	-
Segment revenue	<u>1,634,581</u>	<u>2,282,389</u>	<u>1,928,879</u>	<u>5,845,849</u>	<u>(1,126,795)</u>	<u>4,719,054</u>
RESULTS						
Segment profit	<u>217,804</u>	<u>140,650</u>	<u>480,934</u>			839,388
Unallocated other income						61,311
Unallocated corporate expenses						(32,048)
Unallocated other gains and losses, net						(9,679)
Impairment losses under expected credit loss model, net of reversal						(104,407)
Finance costs						<u>(32,361)</u>
Profit before taxation						<u>722,204</u>

3. REVENUE AND SEGMENT INFORMATION - Continued

(b) Geographical Information

The revenue from the external customers by geographical market (irrespective of the origin of the goods) based on the location of the customers are presented below:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The People's Republic of China ("PRC"), including Hong Kong (country of domicile)	4,129,014	3,522,480
Europe	308,533	264,166
India	204,031	393,889
Middle East	32,208	15,267
South America	124,404	150,707
Other Asian regions	263,667	311,703
Other regions	120,068	60,842
	<u>5,181,925</u>	<u>4,719,054</u>

4. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	29,512	16,713
Imputed interest income from consideration receivables	-	16,901
Sales of scrap materials	2,191	4,129
Subsidy income (Note)	33,778	25,252
Sundry income	7,160	3,412
	<u>72,641</u>	<u>66,407</u>

Note: Subsidy income includes government grants from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which is recognised as income over the useful life of the related assets; (ii) the incentives and other subsidies for research and development activities, which are recognised upon meeting the attached conditions; and (iii) the incentives which have no specific conditions attached to the grants.

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange (loss) gain	(48,568)	9,791
Net gain (loss) on fair value change of derivative financial instruments (Note)	308	(1,074)
Gain on fair value change of financial assets at fair value through profit or loss	-	470
Net loss on disposal of property, plant and equipment	(22,066)	(17,057)
Others	(925)	(638)
	(71,251)	(8,508)

Note: During the periods ended 30 June 2022 and 2021, the Group entered into a cross currency interest rate swap contract and several foreign currency forward contracts with banks and financial institutions to reduce its exposure to foreign currency risks. These derivatives were not accounted for under hedge accounting. There were eleven outstanding derivative financial instruments held by the Group as at 30 June 2022 (31 December 2021: one).

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on borrowings	23,752	33,492
Interest on lease liabilities	293	41
	24,045	33,533
Less: amounts capitalised in property, plant and equipment	(2,243)	(1,172)
	21,802	32,361

Borrowing costs capitalised during the current interim period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.42% (six months ended 30 June 2021: 2.29%) per annum to expenditure on qualifying assets.

7. TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC enterprise income tax ("EIT")	148,635	95,435
PRC withholding tax on interest income	2,294	3,101
PRC withholding tax on distributed profits of PRC subsidiaries	16,500	-
	167,429	98,536
Deferred tax charge (credit)	30,008	(950)
Tax expenses	197,437	97,586

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

No Hong Kong Profits Tax has been recognised as its subsidiaries incorporated in Hong Kong had no assessable profits for both periods.

PRC EIT is calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on the existing legislation, interpretations and practices.

Pursuant to the PRC EIT law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007, respectively, the tax rate for domestic and foreign enterprises is unified at 25% and is effective from 1 January 2008. Besides, with effect from 1 January 2008, if the subsidiaries are qualified as high-technology companies (under the new PRC EIT law), the subsidiaries are entitled to a reduced rate of 15% and such qualification is subject to renewal for every three years. Certain of group entities in the PRC are entitled to the reduced tax rate of 15% for both periods.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No.1, dividend distributed out of the profits generated since 1 January 2008 by a PRC entity to a non-PRC tax resident shall be subject to the PRC EIT pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises. The withholding tax rate applicable to the Group is 5%. As at 30 June 2022 and 31 December 2021, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

During the six months ended 30 June 2022, the taxation charge for current PRC EIT is calculated after taking into account the utilisation of unused tax losses of PRC subsidiaries amounting to approximately RMB6,932,000 (six months ended 30 June 2021: RMB175,502,000). The Group does not utilise the unused tax losses of Hong Kong subsidiaries (six months ended 30 June 2021: RMB11,890,000) during the current period as there is no estimated assessable profits. No deferred tax assets in respect of tax losses has been recognised because the amount of future taxable profit that will be available to realise such assets is uncertain. All unrecognised tax losses may be carried forward indefinitely.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments		
Salaries and other benefits costs	578,785	559,548
Contributions to retirement benefit schemes	63,980	61,054
	642,765	620,602
Depreciation		
Depreciation of right-of-use assets	5,198	4,322
Depreciation of property, plant and equipment	278,560	291,592
Amortisation of intangible assets (included in cost of sales)	8,482	6,342
Write-down (reversal of write-down) of inventories, net (included in cost of sales)	432	(3,252)
Cost of inventories recognised as expenses	2,927,960	2,623,182

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share, being profit for the period attributable to the owners of the Company	629,517	623,076
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,822,167	1,840,391

No diluted earnings per share for the six months ended 30 June 2022 and 2021 were presented as there were no potential ordinary shares in issue for both periods.

10. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends for ordinary shareholders of the Company recognised as distribution during the period		
- 2021 final dividend RMB8 cents (2020 final dividend RMB8 cents) per share	145,406	147,231
- 2021 special dividend RMB2 cents (2020: Nil) per share	36,351	-
	<u>181,757</u>	<u>147,231</u>

The 2021 final dividend and special dividend were paid on 20 July 2022.

Subsequent to the end of the reporting period, the Board declared an interim dividend of RMB5 cents (six months ended 30 June 2021: RMB4 cents) per ordinary share, in an aggregate amount of RMB90,879,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB73,616,000).

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred approximately RMB281,759,000 (six months ended 30 June 2021: RMB82,109,000) on property, plant and equipment to expand and upgrade certain production plants and office buildings primarily in Zhuhai and Inner Mongolia, the PRC, during the six months ended 30 June 2022.

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB22,318,000 (six months ended 30 June 2021: RMB20,187,000) for cash proceeds of RMB252,000 (six months ended 30 June 2021: RMB3,130,000), resulting in a loss on disposal of RMB22,066,000 (six months ended 30 June 2021: RMB17,057,000).

12. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	1,858,641	1,624,198
Less: allowance for credit losses	(29,942)	(22,309)
Bills receivables	1,960,929	1,821,768
Less: allowance for credit losses	(10,456)	-
Consideration receivables	339,574	339,574
Less: allowance for credit losses	(339,574)	(339,574)
Value-added tax receivables	77,432	103,214
Other receivables, deposits and prepayments	225,416	283,001
Less: allowance for credit losses	(4,257)	(9,967)
	<u>4,077,763</u>	<u>3,799,905</u>

The Group normally allows a credit period of ranging from 60 days to 120 days (31 December 2021: from 60 days to 120 days) to its trade customers, and may be extended to selected customers depending on their trade volume and settlement with the Group. The bills receivables have a general maturity period of between 90 days and 1 year (31 December 2021: between 90 days and 1 year).

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on dates of transferring control of the goods, and an analysis of bills receivables by age, net of allowance for credit losses, presented based on the bills issuance date, at the end of the reporting period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables		
0 to 30 days	830,509	751,852
31 to 60 days	355,143	388,933
61 to 90 days	351,793	213,617
91 to 120 days	140,255	155,869
121 to 180 days	95,441	65,133
Over 180 days	55,558	26,485
	<u>1,828,699</u>	<u>1,601,889</u>
Bills receivables		
0 to 30 days	294,864	291,709
31 to 60 days	213,614	411,219
61 to 90 days	342,794	314,599
91 to 120 days	437,416	214,863
121 to 180 days	567,099	557,658
Over 180 days	94,686	31,720
	<u>1,950,473</u>	<u>1,821,768</u>

13. TRADE AND OTHER PAYABLES

The Group normally receives credit terms of up to 120 days and 180 days for trade payables and trade payables under supplier finance arrangement, respectively, from its suppliers. The following is an analysis of the trade payables and trade payables under supplier finance arrangement by age, presented based on the invoice date or bills issuance date at the end of the reporting period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables		
0 to 90 days	1,189,471	964,555
91 to 180 days	278,707	63,668
Over 180 days	49,467	43,744
	<u>1,517,645</u>	<u>1,071,967</u>
Trade payables under supplier finance arrangement (Note 1)		
0 to 90 days	1,100,535	1,377,132
91 to 180 days	430,577	761,576
	<u>1,531,112</u>	<u>2,138,708</u>
Other payables and accruals	599,860	402,368
Other tax payable	139,614	141,766
Refund liabilities (Note 2)	63,724	-
Accrual of freight expense	67,122	65,019
Accrual of salary, staff welfare and unclaimed annual leave	149,885	146,845
Accrual of water, electricity fee and steam	321,474	318,915
Deferred income in respect of government grants	103,619	111,397
Payables in respect of the acquisition of property, plant and equipment	357,567	357,942
	<u>4,851,622</u>	<u>4,754,927</u>
Less: Amount due within one year shown under current liabilities	<u>(4,801,319)</u>	<u>(4,699,608)</u>
Amount shown under non-current liabilities	<u><u>50,303</u></u>	<u><u>55,319</u></u>

Notes:

- (1) These relate to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension.
- (2) The balance represents the estimated amounts of sales proceeds of insulin products received during the current interim period and will be refunded to customers for the compensation of price reduction due to the sixth batch of centralised procurement of pharmaceuticals (specialising in insulin) effective in May 2022.

14. CAPITAL COMMITMENTS

As at 30 June 2022, the Group had commitments for capital expenditure of RMB405,308,000 (31 December 2021: RMB293,642,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

15. PLEDGE OF ASSETS

Other than plant and machinery and deposits with carrying amount of RMB127,940,000 and RMB6,000,000 (31 December 2021: RMB333,161,000 and RMB24,000,000) respectively pledged to financing institutions, the Group had also pledged the following assets to banks as securities against banking facilities granted to the Group at the end of the reporting period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Property, plant and equipment	152,408	417,602
Right-of-use assets	170,447	173,057
Bills receivables	33,553	18,353
Pledged bank deposits	638,845	827,389

16. RELATED PARTY TRANSACTIONS

The Group's key management personnel are all directors of the Company, including chief executives, and the remuneration to the directors of the Company during the period is as follows:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Fees	329	311
Salaries and other benefits	8,869	8,259
Contributions to retirement benefits schemes	44	40

17. EVENT AFTER THE REPORTING PERIOD

On 15 July 2022, the Group and an independent third party entered into an agreement to establish an entity in the PRC with a registered capital of RMB50,000,000. The Group holds 60% equity interest in the entity. The establishment of the entity is for the purposes of promoting industrial linkage and increasing the business volume by leveraging the technological, market and other resources of both parties, and to jointly promote synergistic business development in the field of veterinary medicine products. The entity was established on 1 August 2022. The directors of the Company are of the opinion that there is no material financial impact from the establishment of the entity as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2022, the economic downward pressure increased significantly as a result of an array of more-than-expected internal and external factors, including recurrence of the epidemic in many parts of China, complex international geopolitical situation and intensification of global inflation. Thanks to the decisive efforts of the central government to implement a package of policies to stabilise the economy, coupled with the gradual control of the epidemic in various parts of the country, the national economy of China withstood the pressure and generally showed stabilisation and recovery.

China continued to advance its reform of the pharmaceutical and health care system, which has far-reaching implications for the pharmaceutical industry. With the launch of the fifth round of adjustments to the national medical insurance catalogue, implementation of the seventh batch of state-organised centralized bulk-buying of pharmaceutical products, deepening of reform of the supply side of pharmaceutical services, and continuous improvement in the industry structure, the Group's market position was further consolidated.

For the six months ended 30 June 2022 (the "Period"), the Group's revenue amounted to approximately RMB5,181.9 million, representing an increase of approximately 9.8% as compared with the same period last year. EBITDA was approximately RMB1,141.0 million, representing a year-on-year increase of 8.0%. Profit attributable to owners of the Company was RMB629.5 million, slightly increase of 1.0% as compared with the same period last year. Earnings per share were RMB34.55 cents.

The Board declares the payment of an interim dividend of RMB5 cents per share for the six months ended 30 June 2022.

During the Period, segmental revenue (including inter-segment sales) of intermediate products, bulk medicine and finished products amounted to RMB1,962.9 million, RMB2,858.7 and RMB1,887.7 million respectively, representing an increase of 20.1%, an increase of 25.3% and a decrease of 2.1% respectively as compared with the same period in the previous year. During the Period, segmental profit of intermediate products, bulk medicine and finished products amounted to RMB429.1 million, RMB183.4 million and RMB307.4 million respectively, representing increase of 97.0% and 30.4%, and decrease of 36.1% respectively as compared to last corresponding period.

Intermediate Products and Bulk Medicine Business

During the Period, the Group's intermediate products and bulk medicine recorded external sales revenue of RMB740.8 million and RMB2,553.4 million, representing a decrease of 9.9% and an increase of 29.7% respectively to same period last year. Significant increase in sales revenue of bulk medicine is mainly due to continued increase in sales price. The sales price of intermediate products such as 6-APA continued to increase, and the sales amount of bulk medicine such as amoxicillin increased steadily. Overseas export recorded a revenue of RMB1,052.9 million, accounted for 20.3% of the Group's revenue. The Group continued to occupy a leading position in the domestic and export market of intermediate products and bulk medicine.

Finished Products Business

During the Period, the finished products recorded external sales revenue of approximately RMB1,887.7 million, representing a decrease of 2.1% as compared to last corresponding period. Diabetes series recorded a sales revenue of RMB619.7 million, decrease of 6.8% as compared to last corresponding period. Among that, sales revenue of recombinant human insulin injections amounted to RMB347.8 million, sales volume increased by 5.4% as compared with last corresponding period. Sales revenue of insulin glargine injections amounted to RMB236.7 million, and sales volume increased by 40.5% as compared with last corresponding period. The insulin aspart injection and insulin aspart 30 injection recorded sales revenue of RMB35.2 million.

In the sixth batch of the national centralised procurement of drugs (specialising in insulin) (the "Special Centralised Procurement of Insulin"), all of our six groups of insulin products were selected, covering the mealtime, basal and premixed groups of human insulin and insulin analogues. In May 2022, the results of the special centralised procurement of insulin were implemented in all provinces and cities across China. During the Period, the profit margin of the diabetes product business decreased year-on-year due to factors such as lower insulin product prices and inventory regulation by commercial customers. Under the new starting point of special centralised procurement of insulin, the Group will continue to expand its product sales across the city to improve margins with increased scale, increase market share, enhance brand influence, benefit the majority of diabetes patients and accelerate the process of domestic product substitution in the diabetes field.

For other finished products, antibiotic products recorded a sales revenue of RMB1,166.5 million for the Period, representing a year-on-year increase of 3.2%. In particular, Piperacillin Sodium and Tazobactam Sodium for Injection recorded sales revenue of RMB315.0 million, representing a year-on-year increase of 7.2%. Amoxicillin capsules recorded sales revenue of RMB210.0 million, representing a year-on-year decrease of 6.5%.

During the Period, veterinary pharmaceuticals recorded sales revenue of RMB206.6 million. In July 2022, The United Animal Healthcare (Inner Mongolia) Co., Ltd. (內蒙古聯動保藥品有限公司) ("United Animal Healthcare"), a wholly-owned subsidiary of the Company, and Muyuan Foods Co., Ltd. (牧原食品股份有限公司) ("Muyuan Foods") established Henan Lianmu Veterinary Medicine Co., Ltd. (河南聯牧獸藥有限公司) by way of joint contributions. Based on the strengths and years of cooperation between the two companies, the Company will leverage on the research and development, production and technological strengths of United Animal Healthcare and the brand, market and resource advantages of Muyuan Foods to increase its business volume. Moreover, United Animal Healthcare is committed to creating the most comprehensive β -lactam product and enzymatic product series in China. At present, we have more than 100 national standard veterinary drugs, more than 30 feed additives and additive premixes and feed products, as well as 19 veterinary products under self research and development and 8 veterinary products under collaborative research and development. The Group will continue to enhance its overall competitiveness in the field of veterinary drugs and strive to build a leading brand in the animal healthcare industry in China.

Research and Development Progress

During the period, the Group invested a total of RMB242.6 million in the research and development of pharmaceutical products, with a year-on-year increase of 19.4% in research and development expenses. At present, various pharmaceutical research and development projects are progressing smoothly, with 32 new products under development, of which 12 are class-I new drug projects. The Group has established a comprehensive research and development system characterized by collaborative development among multiple platforms such as biological research and development, chemical drug research and development, innovative drug research and development, clinical research centre and external cooperation, focusing on endocrine, autoimmune, ophthalmology and other fields. Our research projects cover insulin analogue, GLP-1 receptor agonist such as semaglutide injection, multi-target gastrointestinal hormone analogue, and JAK1 selective inhibitor for the treatment of rheumatoid arthritis. In particular, insulin degludec-insulin aspart injection received the notification of approval for clinical trial from China National Medical Products Administration in June 2022. Compared with the pre-mixed insulin analogues currently in clinical use, insulin degludec-insulin aspart can better mimic the physiological insulin secretion pattern and provide a safer and more effective blood glucose-lowering treatment, providing a more ideal choice for diabetic patients to achieve comprehensive blood glucose control. The Group is the second company in China to obtain clinical approval for this bio-similar, marking another breakthrough in the research and development of diabetes drugs by The United Laboratories.

The Group also made fruitful progress in the evaluation of the consistency of quality and efficacy of generic drugs ("Consistency Evaluation"). During the period, the Group's Biapenem for Injection (specification: 0.3g), Cefuroxime Tablets (specification: 0.125g) and Piperacillin Sodium and Tazobactam Sodium for Injection (specification: 4.5g) were declared to have passed the consistency evaluation one after another. At present, piperacillin sodium and tazobactam sodium for injection is an important single-species revenue contributor to the Group's antibiotic products, which is also listed as Class B drug in the National Medical Insurance Drug List (2012 version). In the future, the Group will continue to promote the research and development and consistency evaluation of new drugs to provide patients with more safe and quality drug choices.

In addition, The United Biotechnology (Hengqin) Co., Ltd. (聯邦生物科技(珠海橫琴)有限公司) (“The United Bio-Technology”) wholly owned by the Group was officially established in Guangdong-Macao In-Depth Cooperation Zone in Hengqin, Guangdong Province in April 2022. As our headquarters for biopharmaceutical research and development, The United Bio-Technology specialises in the research and development of energy metabolism, inflammation and autoimmune drugs, with a focus on the development of high-end biopharmaceuticals for the treatment of major chronic diseases, and will gradually develop itself into a professional organisation for chronic disease management. In the future, the Group will strengthen international cooperation and exchanges and introduce projects to actively promote the progress of new drug projects and further enhance its competitiveness in the biopharmaceutical industry.

Optimisation of Financial Structure

With regard to finance, the Group reduces its finance costs by adjusting the borrowings mix of domestic and offshore borrowings, and continuously optimise its financial structure to improve its liquidity. During the Period, The Group has been offered long term loan facilities from Industrial Bank Co., Ltd. Hong Kong branch, Bank of China (Hong Kong) Limited and China Minsheng Banking Corp., Ltd Hong Kong branch. During the Period, the financial cost of the Group decreased to RMB21.8 million, representing a decrease of 32.6% year-on-year basis. At 30 June 2022, the Group’s net bank balances and cash (after deducting borrowings and trade payables under supplier finance arrangement) amounted to RMB1,014.8 million (31 December 2021: RMB212.6 million) and its financial position remained stable.

Liquidity and Financial Resources

As at 30 June 2022, the Group had pledged bank deposits, cash and bank balances amounted to RMB4,676.8 million (31 December 2021: RMB4,158.4 million).

As at 30 June 2022, the Group had interest-bearing borrowings of approximately RMB2,136.9 million (31 December 2021: RMB1,831.1 million), which were denominated in Euro, Hong Kong dollars, Renminbi and United States dollars with maturity within five years. Interest-bearing borrowings of approximately RMB33.6 million (31 December 2021: RMB18.4 million) are fixed rates loans while the remaining balance of approximately RMB2,103.3 million (31 December 2021: RMB1,812.7 million) is at floating rates. The directors expect that all such borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group’s operations.

As at 30 June 2022, current assets of the Group amounted to approximately RMB10,979.3 million (31 December 2021: RMB9,986.3 million). Net current assets increased from RMB3,451.1 million as at 31 December 2021 to RMB4,113.3 million as at 30 June 2022. The Group’s current ratio was approximately 1.60 as at 30 June 2022 as compared with 1.53 as at 31 December 2021. As at 30 June 2022, the Group had total assets of approximately RMB17,354.4 million (31 December 2021: RMB16,331.1 million) and total liabilities of approximately RMB7,605.2 million (31 December 2021: RMB6,991.2 million). Equity attributable to shareholders of the Company increased from RMB9,340.5 million at 31 December 2021 to RMB9,749.8 million at 30 June 2022. As at 30 June 2022, the Group’s net cash and bank balances (after deducting borrowings and trade payables under supplier finance arrangement) amounted to RMB1,014.8 million (31 December 2021: RMB212.6 million).

Contingent Liabilities

As at 30 June 2022 and 31 December 2021, the Group had no material contingent liabilities.

Currency Exchange Exposures

The Group’s purchases and sales are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. The operating expenses of the Group are mainly in Renminbi and Hong Kong dollars. The Group’s treasury policy is in place to monitor and manage its exposure to fluctuation in currency exchange rates.

Employees and Remuneration Policies

As at 30 June 2022, the Group had approximately 13,600 (31 December 2021: 13,300) employees in Hong Kong and Mainland China. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

Litigations

Reference is made to the announcement dated 9 August 2019 and supplemental announcement dated 14 August 2019 of the Company in relation to the investment and cooperation agreement with 恒大地產集團成都有限公司 (Evergrande Real Estate Group (Chengdu) Limited) (“Evergrande (Chengdu)”). The Group applied for the commencement of an action against, among others, Evergrande (Chengdu) on 7 March 2022 in the Guangzhou Intermediate People’s Court for recovery of the outstanding consideration receivables of approximately RMB340 million and relevant damages and received a notice of acceptance on 14 March 2022. At present, the Group is also exploring and considering possible plans with other stake holders to promote the project progress.

Save for the above, there was no other material litigations during the Period.

OUTLOOK

China's economy is large in size, and strong in resilience and potential. Coupled with the continued effectiveness of the government's policies to stabilise growth, the national economy is expected to recover more quickly in the second half of the year. It is believed that sporadic outbreaks will not affect the overall economic recovery. With the continuous deepening of the reform of the medical and health system, the long-term healthy development of the pharmaceutical industry will not change. The implementation of the sixth batch of state-organised centralised bulk buying of drugs will further reduce the burden of patients in using drugs and further release the demand for insulin. At the same time, local pharmaceutical companies are expected to rapidly expand their market share with the centralised procurement of drugs, and the process of "domestic substitution" will continue to accelerate.

As a pharmaceutical company with diversified product portfolio, mature pharmaceutical research and development platform and well-established sales force, the Group is confident that it can fully leverage its strengths in the industry consolidation and continue to consolidate and enhance its market position. In the future, the Group will continue to allocate more resources in the research and development of new drugs and product line expansion to enhance its scientific research capabilities and develop innovative products with market potential, thereby adding momentum to the Group's long-term sustainable development. The Group will consistently adhere to its commitment to the mission and vision of “Making Life More Valuable” to seize the opportunities arising from the changes in China's pharmaceutical industry, continue to drive the development of its core businesses, and leverage on its scientific research strength to actively explore new growth areas, thus creating more values for shareholders and society.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, the Company repurchased a total of 11,916,000 shares on the Stock Exchange at total consideration (including transaction costs) of approximately HK\$49,780,000. All the repurchased shares were subsequently cancelled. Particulars of the repurchases are as follows:

Month	No. of Shares	Purchase Price		Total Consideration HK\$
		Highest HK\$	Lowest HK\$	
January	3,324,000	4.60	4.38	14,786,000
February	-	-	-	-
March	3,068,000	4.10	3.95	12,310,000
April	5,524,000	4.10	4.00	22,684,000
May and June	-	-	-	-

Save for the above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Company is committed to ensure high standards of corporate governance in the interest of its shareholders.

The Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (“CG Code”) contained in Appendix 14 of the Listing Rules, except for deviation as below:

- Code Provision C.2.1

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the six months ended 30 June 2022, the Company did not have a chief executive officer. The Company will make appointment to fill the post as appropriate.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Board. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

The Audit Committee comprises of three independent non-executive directors, namely Mr. Chong Peng Oon, Prof. Song Ming and Ms. Fu Xiao Nan. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2022. The Audit Committee has relied on a review conducted by the Company’s external auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA and representations from the management.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the interim dividend, the Register of Members of the Company will be closed on Monday, 19 September 2022 and Tuesday, 20 September 2022 on which no transfer of shares will be registered. In order to qualify for the interim dividend (record date being 20 September 2022), all completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 September 2022.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and business partners for their full trust and support in the first half of 2022, as well as all staff for their efforts and contributions. I hope we can join hands and create a better future together.

On behalf of the Board

Tsoi Hoi Shan

Chairman

Hong Kong, 23 August 2022

As at the date of this announcement, the Board comprises Mr. Tsoi Hoi Shan, Mr. Leung Wing Hon, Ms. Choy Siu Chit, Mr. Fang Yu Ping, Ms. Zou Xian Hong and Ms. Zhu Su Yan as executive directors; and Mr. Chong Peng Oon, Prof. Song Ming and Ms. Fu Xiao Nan as independent non-executive directors.