



# The United Laboratories International Holdings Limited

(A company incorporated in the Cayman Islands with limited liability)  
(Stock Code: 3933)



**2023**  
INTERIM REPORT



Our mission is to  
make life more valuable

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# Financial Highlights

	Six months ended 30 June		
	2023 RMB'000	2022 RMB'000	Increase
Revenue	<b>6,906,524</b>	5,181,925	33.3%
EBITDA	<b>1,953,790</b>	1,140,996	71.2%
Profit before taxation	<b>1,612,155</b>	826,954	95.0%
Profit for the period attributable to the owners of the Company	<b>1,284,496</b>	629,517	104.0%
Earnings per share – Basic	<b>RMB cents 70.69</b>	RMB cents 34.55	104.6%
Interim dividend (per share)	<b>12.0</b>	5.0	140.0%

## BOARD OF DIRECTORS

### Executive directors

Mr. Tsoi Hoi Shan (*Chairman*)  
Mr. Leung Wing Hon (*Vice-Chairman*)  
Ms. Choy Siu Chit  
Mr. Fang Yu Ping  
Ms. Zou Xian Hong  
Ms. Zhu Su Yan

### Independent non-executive directors

Mr. Chong Peng Oon  
Prof. Song Ming  
Dr. Fu Qiushi

## COMPANY SECRETARY

Mr. Leung Wing Hon (*FCPA*)

## AUTHORISED REPRESENTATIVES

Mr. Tsoi Hoi Shan  
Mr. Leung Wing Hon

## AUDIT COMMITTEE

Mr. Chong Peng Oon (*Chairman*)  
Prof. Song Ming  
Dr. Fu Qiushi

## REMUNERATION COMMITTEE

Mr. Chong Peng Oon (*Chairman*)  
Prof. Song Ming  
Dr. Fu Qiushi

## NOMINATION COMMITTEE

Prof. Song Ming (*Chairman*)  
Mr. Chong Peng Oon  
Dr. Fu Qiushi

## RISK MANAGEMENT COMMITTEE

Mr. Chong Peng Oon (*Chairman*)  
Prof. Song Ming  
Mr. Leung Wing Hon  
Ms. Choy Siu Chit

## INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu  
Registered Public Interest Entity Auditors

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6 Fuk Wang Street  
Yuen Long Industrial Estate  
New Territories  
Hong Kong

## PRINCIPAL BANKERS

### China

China Merchants Bank Co., Ltd., Zhuhai Branch  
Industrial and Commercial Bank of China Ltd.,  
Zhuhai Branch  
Guangdong Huaxing Bank Co., Ltd., Zhuhai Branch  
Bank of Communication Co., Ltd., Zhuhai Branch  
Ping An Bank Co., Ltd., Hengqin Branch  
Bank of China Ltd., Zhuhai Branch  
China Resources Bank of Zhuhai Co., Ltd.

### Hong Kong

Bank of China (Hong Kong) Ltd.  
Hang Seng Bank Ltd.  
Fubon Bank (Hong Kong) Ltd.

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

## WEBSITE

[www.tul.com.cn](http://www.tul.com.cn)  
[www.irasia.com/listco/hk/unitedlab](http://www.irasia.com/listco/hk/unitedlab)

# Report on Review of Condensed Consolidated Financial Statements

The Deloitte logo, consisting of the word "Deloitte" in a bold, black, sans-serif font, followed by a small black dot.The Chinese characters "德勤" (De Qin), representing Deloitte, in a bold, black, sans-serif font.

**To The Board of Directors of  
THE UNITED LABORATORIES INTERNATIONAL HOLDINGS LIMITED**  
*(incorporated in the Cayman Islands with limited liability)*

## **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of The United Laboratories International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 31, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
29 August 2023

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	6,906,524	5,181,925
Cost of sales		(3,693,226)	(2,927,960)
Gross profit		3,213,298	2,253,965
Other income	4	92,491	72,641
Other gains and losses, net	5	52,472	(71,251)
Selling and distribution expenses		(974,906)	(805,744)
Administrative expenses		(380,688)	(344,847)
Research and development expenditures		(338,678)	(242,607)
Other expenses		(6,275)	(1,022)
Impairment losses under expected credit loss model, net of reversal	13	(6,988)	(12,379)
Share of results of an associate		165	–
Finance costs	6	(38,736)	(21,802)
Profit before taxation		1,612,155	826,954
Tax expense	7	(327,915)	(197,437)
<b>Profit for the period</b>	8	<b>1,284,240</b>	<b>629,517</b>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,351	2,214
<b>Total comprehensive income for the period</b>		<b>1,285,591</b>	<b>631,731</b>
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		1,284,496	629,517
Non-controlling interests		(256)	–
		<b>1,284,240</b>	<b>629,517</b>
<b>Total comprehensive income (expense) for the period attributable to:</b>			
Owners of the Company		1,285,847	631,731
Non-controlling interests		(256)	–
		<b>1,285,591</b>	<b>631,731</b>
Earnings per share (RMB cents)	9		
– Basic		70.69	34.55

# Condensed Consolidated Statement of Financial Position

At 30 June 2023

	<i>NOTES</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	5,983,862	5,932,295
Right-of-use assets		253,009	255,586
Goodwill		3,031	3,031
Intangible assets		91,572	100,338
Interests in an associate		7,326	7,161
Deposit for acquisition of land use rights		7,262	7,262
Deposits for acquisition of property, plant and equipment		130,611	78,476
Financial asset at fair value through profit or loss	21	500	500
Derivative financial instruments	16	995	–
Deferred tax assets	7	79,707	80,030
		<b>6,557,875</b>	<b>6,464,679</b>
<b>Current assets</b>			
Inventories		2,191,636	2,163,626
Trade and bills receivables, other receivables, deposits and prepayments	12	5,577,973	4,911,704
Derivative financial instruments	16	1,445	1,841
Financial asset at fair value through profit or loss	21	21,834	–
Pledged bank deposits	19	674,355	694,704
Cash and cash equivalents		4,744,842	4,743,071
		<b>13,212,085</b>	<b>12,514,946</b>
<b>Current liabilities</b>			
Trade and other payables	14	5,746,664	5,317,876
Contract liabilities		101,840	132,484
Derivative financial instruments	16	478	10,087
Dividend payables	10	363,405	–
Lease liabilities		3,317	3,744
Tax payables		207,161	209,478
Borrowings – due within one year	15	640,868	1,359,358
		<b>7,063,733</b>	<b>7,033,027</b>
<b>Net current assets</b>		<b>6,148,352</b>	<b>5,481,919</b>
<b>Total assets less current liabilities</b>		<b>12,706,227</b>	<b>11,946,598</b>

# Condensed Consolidated Statement of Financial Position

At 30 June 2023

	<i>NOTES</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Deferred tax liabilities	7	251,296	194,069
Deferred income in respect of government grants	14	38,367	43,413
Derivative financial instruments	16	239	–
Lease liabilities		4,708	3,896
Borrowings – due after one year	15	880,000	1,095,789
		<u>1,174,610</u>	<u>1,337,167</u>
<b>Net assets</b>		<u><b>11,531,617</b></u>	<u>10,609,431</u>
<b>Capital and reserves</b>			
Share capital	17	16,965	16,965
Reserves		11,513,563	10,591,121
Equity attributable to owners of the Company		<u>11,530,528</u>	10,608,086
Non-controlling interests		1,089	1,345
<b>Total equity</b>		<u><b>11,531,617</b></u>	<u>10,609,431</u>

The condensed consolidated financial statements from pages 5 to 31 were approved and authorised for issue by the Board of Directors on 29 August 2023 and are signed on its behalf by:

**TSOI HOI SHAN**

*DIRECTOR*

**LEUNG WING HON**

*DIRECTOR*

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Treasury stock	Special reserve	Capital reserve	Foreign exchange reserve	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000 (Note b)	RMB'000 (Note a)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (Audited)	17,125	3,782,428	(17,815)	277,100	1,146,168	7,682	4,127,804	9,340,492	(584)	9,339,908
Exchange differences arising on translation of foreign operations	-	-	-	-	-	2,214	-	2,214	-	2,214
Profit for the period	-	-	-	-	-	-	629,517	629,517	-	629,517
Total comprehensive income for the period	-	-	-	-	-	2,214	629,517	631,731	-	631,731
Dividends recognised as distribution (Note 10)	-	-	-	-	-	-	(181,757)	(181,757)	-	(181,757)
Repurchase and cancellation of shares	(155)	(58,349)	18,053	-	-	-	-	(40,451)	-	(40,451)
Transaction costs attributable to repurchase and cancellation of shares	-	-	(238)	-	-	-	-	(238)	-	(238)
Appropriations	-	-	-	-	83,000	-	(83,000)	-	-	-
At 30 June 2022 (Unaudited)	16,970	3,724,079	-	277,100	1,229,168	9,896	4,492,564	9,749,777	(584)	9,749,193
At 1 January 2023 (Audited)	16,965	3,722,482	-	277,100	1,254,210	9,109	5,328,220	10,608,086	1,345	10,609,431
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,351	-	1,351	-	1,351
Profit (loss) for the period	-	-	-	-	-	-	1,284,496	1,284,496	(256)	1,284,240
Total comprehensive income for the period	-	-	-	-	-	1,351	1,284,496	1,285,847	(256)	1,285,591
Dividends recognised as distribution (Note 10)	-	-	-	-	-	-	(363,405)	(363,405)	-	(363,405)
Appropriations	-	-	-	-	92,217	-	(92,217)	-	-	-
At 30 June 2023 (Unaudited)	16,965	3,722,482	-	277,100	1,346,427	10,460	6,157,094	11,530,528	1,089	11,531,617

## Notes:

- Capital reserve represents the People's Republic of China (the "PRC") statutory reserve which must be provided for before declaring dividends to the shareholders as approved by the board of directors in accordance with the PRC regulations applicable to the Company's PRC subsidiaries until the fund reaches 50% of the registered capital of respective subsidiaries.
- Included in special reserve is an amount of RMB203,263,000 which represents the portion of registered capital of two PRC subsidiaries contributed by certain beneficial owners of the Company. The remaining amount of RMB73,837,000 represents the difference between the carrying amount of the non-controlling interests acquired and the fair value of considerations paid for acquiring of additional interests in subsidiaries in prior years.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Operating activities</b>		
Profit before taxation	1,612,155	826,954
Adjustments for:		
Write-down of inventories, net	5,292	432
Impairment losses under expected credit loss model, net of reversal	6,988	12,379
Amortisation of intangible assets	8,766	8,482
Depreciation of property, plant and equipment	288,665	278,560
Depreciation of right-of-use assets	5,468	5,198
Net gain on fair value change of derivative financial instruments	(24,231)	(308)
Gain on fair value changes of financial assets at fair value through profit or loss	(54)	–
Gain on disposal of financial asset at fair value through profit or loss	(36,690)	–
Finance costs	38,736	21,802
Release of government grants	(7,823)	(7,778)
Bank interest income	(51,432)	(29,512)
Share of results of an associate	(165)	–
Net loss on disposal of property, plant and equipment	2,330	2,803
Written off of property, plant and equipment	56,087	19,263
Provision for carbon emissions allowances	17,896	5,106
Net unrealised foreign exchange (gain) loss	(13,225)	71,515
Operating cash flows before movements in working capital	1,908,763	1,214,896
Increase in inventories	(33,302)	(215,176)
Increase in trade and bills receivables, other receivables, deposits and prepayments	(1,122,621)	(214,698)
Increase in trade and other payables	747,957	40,443
Decrease in contract liabilities	(30,644)	(18,757)
Cash generated from operations	1,470,153	806,708
Income taxes paid	(272,682)	(147,156)
<b>Net cash from operating activities</b>	<b>1,197,471</b>	<b>659,552</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Investing activities</b>		
Payments for purchase of property, plant and equipment	(396,697)	(247,751)
Payment for deposits of acquisition of property, plant and equipment	(73,305)	(70,571)
Proceeds on disposal of property, plant and equipment	2,248	252
Placement of pledged bank deposits	(1,358,389)	(1,826,178)
Withdrawal of pledged bank deposits	1,378,738	2,014,722
Purchase of financial assets at fair value through profit and loss	(3,188,296)	–
Proceeds on disposal of financial assets at fair value through profit and loss	3,203,206	–
Interest received	51,432	29,512
Additions to right-of-use assets	(495)	(25,513)
<b>Net cash used in investing activities</b>	<b>(381,558)</b>	<b>(125,527)</b>
<b>Financing activities</b>		
Interest paid	(40,635)	(17,007)
Repayment of leases liabilities	(2,011)	(1,980)
New borrowings raised	1,244,000	861,357
Repayment of borrowings	(2,030,355)	(631,358)
Net settlement of cross currency interest rate swaps	–	(3,978)
Net settlement of foreign currency forwards contracts	14,262	5,403
Payment on repurchase and cancellation of shares	–	(40,451)
Transaction costs attributable to repurchase and cancellation of shares	–	(238)
<b>Net cash (used in) from financing activities</b>	<b>(814,739)</b>	<b>171,748</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,174</b>	<b>705,773</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>4,743,071</b>	<b>3,331,009</b>
Effect of foreign exchange rate changes	597	1,174
<b>Cash and cash equivalents at end of the period</b>	<b>4,744,842</b>	<b>4,037,956</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

### 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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Application of amendments to HKFRSs (Continued)

#### 2.1 Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform – Pillar Two model Rules

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group’s entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

## 3. REVENUE AND SEGMENT INFORMATION

### (i) Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2023 (Unaudited)

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Types of products						
6-APA	598,308	–	–	598,308	–	598,308
Antibiotics products	–	3,419,656	1,725,023	5,144,679	–	5,144,679
Insulin products	–	–	474,634	474,634	–	474,634
Others	449,131	3,319	236,453	688,903	–	688,903
Revenue from contracts with customers	1,047,439	3,422,975	2,436,110	6,906,524	–	6,906,524
Inter-segment sales	1,644,676	426,141	–	2,070,817	(2,070,817)	–
Segment revenue	2,692,115	3,849,116	2,436,110	8,977,341	(2,070,817)	6,906,524

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (i) Disaggregation of revenue from contracts with customers *(Continued)*

For the six months ended 30 June 2022 (Unaudited)

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Types of products						
6-APA	394,536	–	–	394,536	–	394,536
Antibiotics products	–	2,550,260	1,146,155	3,696,415	–	3,696,415
Insulin products	–	–	575,021	575,021	–	575,021
Others	346,313	3,164	166,476	515,953	–	515,953
Revenue from contracts with customers	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>

All of the Group's revenue is recognised at a point in time during the six months ended 30 June 2023 and 2022.

### **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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PRC, including Hong Kong (country of domicile)	5,544,083	4,129,014
Europe	431,526	308,533
India	331,769	204,031
Middle East	26,046	32,208
South America	170,335	124,404
Other Asian regions	308,142	263,667
Other regions	94,623	120,068
	<u>6,906,524</u>	<u>5,181,925</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### (ii) Segment information

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”) (i.e. executive directors of the Company) for the purpose of allocating resources to segments and assessing their performance.

The Group is currently organised into three revenue streams, including Intermediate products, Bulk medicine and Finished products.

Specifically, the Group’s reportable segments under HKFRS 8 are as follows:

- 1) Intermediate products – mainly represent sales of 6-APA products and penicillin G potassium products;
- 2) Bulk Medicine – mainly represent sales of amoxicillin products; and
- 3) Finished products – mainly represent sales of insulin series products, antibiotics products, nervous system drugs, ophthalmic products and veterinary drugs.

The three revenue streams are the operating and reportable segments of the Group on which the Group reports its primary segment information.

### For the six months ended 30 June 2023 (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	1,047,439	3,422,975	2,436,110	6,906,524	–	6,906,524
Inter-segment sales	1,644,676	426,141	–	2,070,817	(2,070,817)	–
Segment revenue	<u>2,692,115</u>	<u>3,849,116</u>	<u>2,436,110</u>	<u>8,977,341</u>	<u>(2,070,817)</u>	<u>6,906,524</u>
RESULTS						
Segment profit	<u>814,405</u>	<u>427,956</u>	<u>303,767</u>			1,546,128
Share of results of an associate						165
Unallocated other income						68,105
Unallocated corporate expenses						(74,022)
Unallocated other gains and losses, net						110,889
Impairment losses under expected credit loss model, net of reversal						(374)
Finance costs						<u>(38,736)</u>
Profit before taxation						<u>1,612,155</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### (ii) Segment information (Continued)

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
<b>REVENUE</b>						
External sales	740,849	2,553,424	1,887,652	5,181,925	–	5,181,925
Inter-segment sales	<u>1,222,023</u>	<u>305,300</u>	<u>–</u>	<u>1,527,323</u>	<u>(1,527,323)</u>	<u>–</u>
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>
<b>RESULTS</b>						
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>

### Measurement

The accounting policies of the reportable segments are the same as disclosed in the Company's 2022 Annual Report. Performance is measured based on segment results that is used by the CODM for the purposes of resource allocation and assessment of segment performance. Taxation is not allocated to reportable segments.

Other than the segment revenue and segment results analysis presented above, information about assets and liabilities was not regularly provided to the CODM. Hence, no segment asset or segment liability information is presented.

Inter-segment revenue is charged at prevailing market rates.

Reportable segment results represent the profit earned by each segment without allocation of certain other income, share of results of an associate, corporate expenses, other gains and losses (net), impairment losses under expected credit loss model (net of reversal) and finance costs.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 4. OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Bank interest income	51,432	29,512
Sales of scrap materials	2,576	2,191
Subsidy income ( <i>Note</i> )	34,809	33,778
Sundry income	3,674	7,160
	<b>92,491</b>	<b>72,641</b>

*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.

During the six months ended 30 June 2023, the Group recognised government grants of RMB529,000 (six months ended 30 June 2022: RMB650,000) in respect of Covid-19-related subsidies and entire amount relates to Employment Support Scheme provided by the Hong Kong government.

## 5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net foreign exchange gain (loss)	50,682	(48,568)
Net gain on fair value change of derivative financial instruments ( <i>Note</i> )	24,231	308
Gain on disposal of financial assets at fair value through profit or loss	36,690	–
Gain on fair value change of financial assets at fair value through profit or loss	54	–
Net loss on disposal of property, plant and equipment	(2,330)	(2,803)
Written off of property, plant and equipment	(56,087)	(19,263)
Others	(768)	(925)
	<b>52,472</b>	<b>(71,251)</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. OTHER GAINS AND LOSSES, NET *(Continued)*

*Note:* During the periods ended 30 June 2023 and 2022, 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 five outstanding derivative financial instruments held by the Group as at 30 June 2023 (31 December 2022: three).

## 6. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on borrowings	44,288	23,752
Interest on lease liabilities	260	293
	<u>44,548</u>	<u>24,045</u>
Less: Amounts capitalised in property, plant and equipment	<u>(5,812)</u>	<u>(2,243)</u>
	<u><u>38,736</u></u>	<u><u>21,802</u></u>

Borrowing costs capitalised during the current interim period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.28% (six months ended 30 June 2022: 2.42%) per annum to expenditure on qualifying assets.

## 7. TAX EXPENSE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax		
PRC enterprise income tax ("EIT")	256,986	148,635
PRC withholding tax on interest income	3,594	2,294
PRC withholding tax on distributed profits of PRC subsidiaries	<u>9,785</u>	<u>16,500</u>
	<u>270,365</u>	<u>167,429</u>
Deferred tax charge	<u>57,550</u>	<u>30,008</u>
Tax expense	<u><u>327,915</u></u>	<u><u>197,437</u></u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 7. TAX EXPENSE *(Continued)*

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, except a subsidiary had utilised the tax losses in the current period.

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 2023 and 31 December 2022, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

During the six months ended 30 June 2023, 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 RMB nil (six months ended 30 June 2022: RMB6,932,000). No deferred tax asset 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 7. TAX EXPENSE (Continued)

The followings are the deferred tax assets (liabilities) recognised and movements thereon for the current and prior periods:

	Accelerated accounting depreciation RMB'000	Unrealised profit on inventories RMB'000	Withholding tax on undistributed profits of the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2022 (Audited)	64,500	18,282	(172,309)	(89,527)
(Charge) credit to profit or loss for the period	<u>(5,709)</u>	<u>4,269</u>	<u>(28,568)</u>	<u>(30,008)</u>
At 30 June 2022 (Unaudited)	<u>58,791</u>	<u>22,551</u>	<u>(200,877)</u>	<u>(119,535)</u>
At 1 January 2023 (Audited)	63,079	16,951	(194,069)	(114,039)
(Charge) credit to profit or loss for the period	<u>(4,771)</u>	<u>4,448</u>	<u>(57,227)</u>	<u>(57,550)</u>
At 30 June 2023 (Unaudited)	<u>58,308</u>	<u>21,399</u>	<u>(251,296)</u>	<u>(171,589)</u>

The following is the analysis of the deferred tax balances of financial reporting purpose:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Deferred tax assets	<b>79,707</b>	80,030
Deferred tax liabilities	<b><u>(251,296)</u></b>	<u>(194,069)</u>
	<b><u>(171,589)</u></b>	<u>(114,039)</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Staff costs, including directors' emoluments		
Salaries and other benefits	704,842	578,785
Contributions to retirement benefit schemes	64,926	63,980
	<u>769,768</u>	<u>642,765</u>
Depreciation		
Depreciation of right-of-use assets	5,468	5,198
Depreciation of property, plant and equipment	288,665	278,560
Amortisation of intangible assets (included in cost of sales)	8,766	8,482
Write-down of inventories, net (included in cost of sales)	5,292	432
Cost of inventories recognised as expenses	<u>3,693,226</u>	<u>2,927,960</u>

## 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purposes of basic earnings per share being profit for the period attributable to the owners of the Company	<u>1,284,496</u>	<u>629,517</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 9. EARNINGS PER SHARE *(Continued)*

	Six months ended 30 June	
	2023 '000 (Unaudited)	2022 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,817,027</b>	1,822,167

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

## 10. DIVIDENDS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Dividends for ordinary shareholders of the Company recognised as distribution during the period		
– 2022 final dividend RMB14 cents (2021: final dividend RMB8 cents) per share	<b>254,384</b>	145,406
– 2022 special dividend RMB6 cents (2021: special dividend RMB2 cents) per share	<b>109,021</b>	36,351
	<b>363,405</b>	181,757

The 2022 final dividend and special dividend were paid on 26 July 2023.

Subsequent to the end of the reporting period, the Board declared an interim dividend of RMB12 cents (six months ended 30 June 2022: RMB5 cents) per ordinary share, in an aggregate amount of RMB218,043,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB90,879,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred approximately RMB395,085,000 (six months ended 30 June 2022: RMB281,759,000) 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 2023.

During the current interim period, the Group disposed of and written off of certain plant and machinery with an aggregate carrying amount of RMB60,665,000 (six months ended 30 June 2022: RMB22,318,000) for cash proceeds of RMB2,248,000 (six months ended 30 June 2022: RMB252,000), resulting in a loss on disposal of RMB2,330,000 (six months ended 30 June 2022: RMB2,803,000) and written off of RMB56,087,000 (six months ended 30 June 2022: RMB19,263,000).

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade receivables from contracts with customers	<b>2,488,508</b>	2,110,751
Less: allowance for credit losses ( <i>Note 13</i> )	<b>(19,924)</b>	(6,839)
Banker's acceptance bills receivables	<b>2,563,631</b>	2,360,224
Less: allowance for credit losses ( <i>Note 13</i> )	<b>(151)</b>	(848)
Commercial bills receivables	<b>1,952</b>	18,909
Less: allowance for credit losses ( <i>Note 13</i> )	<b>(601)</b>	(6,375)
Consideration receivables	<b>339,574</b>	339,574
Less: allowance for credit losses ( <i>Note 13</i> )	<b>(339,574)</b>	(339,574)
Value-added tax receivables	<b>114,862</b>	115,866
Other receivables, deposits and prepayments	<b>436,566</b>	326,512
Less: allowance for credit losses ( <i>Note 13</i> )	<b>(6,870)</b>	(6,496)
	<b><u>5,577,973</u></b>	<b><u>4,911,704</u></b>

The Group normally allows a credit period of ranging from 60 days to 120 days (31 December 2022: 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 banker's acceptance bills receivables and commercial bills receivables have a general maturity period of between 90 days and 1 year (31 December 2022: between 90 days and 1 year).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 12. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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 banker's acceptance bills receivables and commercial bills receivables by age, net of allowance for credit losses, presented based on the bills issuance date, at the end of the reporting period:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade receivables from contracts with customers		
0 to 30 days	<b>1,012,737</b>	1,026,413
31 to 60 days	<b>657,617</b>	478,510
61 to 90 days	<b>376,173</b>	262,065
91 to 120 days	<b>162,341</b>	143,763
121 to 180 days	<b>111,680</b>	127,389
Over 180 days	<b>148,036</b>	65,772
	<b><u>2,468,584</u></b>	<u>2,103,912</u>
Banker's acceptance bills receivables		
0 to 30 days	<b>317,977</b>	574,224
31 to 60 days	<b>430,117</b>	430,013
61 to 90 days	<b>437,914</b>	323,647
91 to 120 days	<b>387,018</b>	410,900
121 to 180 days	<b>932,854</b>	591,962
Over 180 days	<b>57,600</b>	28,630
	<b><u>2,563,480</u></b>	<u>2,359,376</u>
Commercial bills receivables		
91 to 120 days	–	12,534
Over 180 days	<b>1,351</b>	–
	<b><u>1,351</u></b>	<u>12,534</u>

At 30 June 2023, out of the total bills receivables of RMB2,564,831,000 (31 December 2022: RMB2,371,910,000), bills of RMB91,167,000 (31 December 2022: RMB251,378,000) and RMB455,227,000 (31 December 2022: RMB854,862,000) were further discounted to banks and endorsed to suppliers respectively with full recourse. The Group continues to recognise their full carrying amount at the end of the reporting period and details are disclosed below. All bills received by the Group are with a maturity period of less than one year.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 12. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

As at 30 June 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB545,676,000 (31 December 2022: RMB447,466,000) which are past due as at the reporting date. Out of the past due balances, RMB36,142,000 (31 December 2022: RMB46,733,000) has been past due 90 days or more. The directors of the Company are in the view that there have been no significant increase in credit risk nor default because based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group does not hold any collateral over these balances.

## 13. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

The followings are the impairment losses recognised and movements thereon for the current and prior periods:

	Trade receivables RMB'000	Other receivables RMB'000	Banker's acceptance bills receivables RMB'000	Commercial bills receivables RMB'000	Consideration receivables RMB'000	Total RMB'000
At 1 January 2022 (Audited)	22,309	9,967	–	–	339,574	371,850
Impairment losses recognised (reversed), net	<u>7,633</u>	<u>(5,710)</u>	<u>992</u>	<u>9,464</u>	<u>–</u>	<u>12,379</u>
At 30 June 2022 (Unaudited)	<u>29,942</u>	<u>4,257</u>	<u>992</u>	<u>9,464</u>	<u>339,574</u>	<u>384,229</u>
At 1 January 2023 (Audited)	6,839	6,496	848	6,375	339,574	360,132
Impairment losses recognised (reversed), net	<u>13,085</u>	<u>374</u>	<u>(697)</u>	<u>(5,774)</u>	<u>–</u>	<u>6,988</u>
At 30 June 2023 (Unaudited)	<u>19,924</u>	<u>6,870</u>	<u>151</u>	<u>601</u>	<u>339,574</u>	<u>367,120</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 14. 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:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade payables		
0 to 90 days	1,202,925	1,551,147
91 to 180 days	396,570	367,388
Over 180 days	35,112	51,820
	<u>1,634,607</u>	<u>1,970,355</u>
Trade payables under supplier finance arrangement ( <i>note 1</i> )		
0 to 90 days	1,561,958	779,384
91 to 180 days	756,515	808,685
	<u>2,318,473</u>	<u>1,588,069</u>
Other payables and accruals	482,330	485,992
Other tax payable	181,924	158,654
Refund liabilities ( <i>note 2</i> )	39,284	–
Accrual of freight expense	78,323	76,441
Accrual of salary, staff welfare and unclaimed annual leave	196,927	191,578
Accrual of water, electricity fee and steam	364,186	370,618
Deferred income in respect of government grants	88,036	95,859
Payables in respect of the acquisition of property, plant and equipment	400,941	423,723
	<u>5,785,031</u>	<u>5,361,289</u>
Less: Amount due within one year shown under current liabilities	<u>(5,746,664)</u>	<u>(5,317,876)</u>
Amount shown under non-current liabilities	<u>38,367</u>	<u>43,413</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 refund to customers as the compensation of the price reduction of certain antibiotics products sold during the current period due to the eighth batch of the PRC's centralised procurement of pharmaceuticals announced in March 2023 and to be effective in July 2023.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 15. BORROWINGS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bank loans	1,429,701	2,203,769
Discounted bills with recourse ( <i>Note 12</i> )	91,167	251,378
	<b>1,520,868</b>	<b>2,455,147</b>
Analysed as:		
Secured	91,167	251,378
Unsecured	1,429,701	2,203,769
	<b>1,520,868</b>	<b>2,455,147</b>
The carrying amount of the above borrowings are repayable		
The carrying amount of the bank loans are repayable:		
– Within one year	–	97,129
– Within a period of more than one year, but not exceeding two years	400,000	132,590
– Within a period of more than two years but not more than five years	480,000	963,199
	<b>880,000</b>	<b>1,192,918</b>
The carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable*:		
– Within one year	180,000	124,113
– Within a period of more than one year but not exceeding two years	92,851	434,398
– Within a period of more than two years but not more than five years	276,850	452,340
	<b>549,701</b>	<b>1,010,851</b>
The carrying amount of the discounted bills with recourse are repayable:		
– Within one year	91,167	251,378
	<b>1,520,868</b>	<b>2,455,147</b>
Less: Amount due within one year shown under current liabilities	<b>(640,868)</b>	<b>(1,359,358)</b>
Amount shown under non-current liabilities	<b>880,000</b>	<b>1,095,789</b>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 15. BORROWINGS (Continued)

During the current interim period, the Group obtained borrowings amounting to RMB1,244,000,000 (six months ended 30 June 2022: RMB861,357,000), the Group repaid borrowings of RMB2,030,355,000 (six months ended 30 June 2022: RMB631,358,000) and derecognised discounted bills with recourse of RMB251,378,000 (six months ended 30 June 2022: RMB18,353,000). The range of effective interest rates of the floating rate borrowings at 30 June 2023 is 4.58% to 5.60% (31 December 2022: 3.63% to 5.85%) per annum. The range of effective interest rates of the fixed rate borrowings at 30 June 2023 is 3.30% to 3.50% (31 December 2022: 1.22% to 2.04%) per annum.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Foreign currency forward contracts		
– Non-current assets	995	–
– Current assets	1,445	1,841
– Non-current liabilities	(239)	–
– Current liabilities	(478)	(10,087)
	<u>1,723</u>	<u>(8,246)</u>

The Group's derivative financial instruments represent foreign currency forward contracts for hedging a portion of its foreign exchange risk related to its bank borrowings denominated in foreign currencies.

### 30 June 2023

Major terms of the foreign currency forward contracts are as follows:

Total remaining notional amount	Final Maturity	Exchange rate
Sell USD95,000,000	22 January 2025	USD1:HKD7.855
Buy USD85,000,000	19 December 2024	USD1:RMB6.710
Buy USD46,000,000	19 May 2025	USD1:RMB6.750
Sell USD190,000,000	06 January 2025	USD1:HKD7.853
Buy USD46,000,000	17 June 2025	USD1:RMB6.818

The forward contracts represent the multiple currency forward transactions to be settled on multiple settlement dates on a monthly basis, until the final maturity date.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 16. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### 31 December 2022

Major terms of the foreign currency forward contracts are as follows:

Notional amount	Maturity	Exchange rate
Buy USD5,000,000	14 March 2023	USD1: RMB6.685
Buy USD5,000,000	16 March 2023	USD1: RMB6.711
Buy USD40,000,000	25 October 2023	USD1: RMB7.035

## 17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	<u>3,800,000,000</u>	<u>38,000</u>
Issued and fully paid:		
At 1 January 2022	1,834,206,508	18,342
Treasury stock cancelled	(4,716,000)	(47)
Share repurchased and cancelled	<u>(11,916,000)</u>	<u>(119)</u>
At 30 June 2022	1,817,574,508	18,176
Share repurchased and cancelled	<u>(548,000)</u>	<u>(6)</u>
At 31 December 2022 and 30 June 2023	<u>1,817,026,508</u>	<u>18,170</u>
		RMB'000

Shown in the consolidated financial statements as:

At 30 June 2023 and 31 December 2022

16,965

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both periods.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 18. CAPITAL COMMITMENTS

As at 30 June 2023, the Group had commitments for capital expenditure of RMB497,212,000 (31 December 2022: RMB355,691,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

## 19. PLEDGE OF OR RESTRICTIONS ON ASSETS

### Pledge of assets

The Group had pledged the following assets to banks as securities against banking facilities granted to the Group at the end of the reporting period:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Property, plant and equipment	<b>384,621</b>	416,896
Right-of-use assets	<b>165,226</b>	167,837
Banker's acceptance bills receivables	<b>1,074,187</b>	764,422
Pledged bank deposits	<b>674,355</b>	694,704

### Restrictions on assets

In addition, lease liabilities of RMB8,025,000 (31 December 2022: RMB7,640,000) are recognised with related right-of-use assets of RMB7,114,000 (31 December 2022: RMB6,570,000) as at 30 June 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

## 20. 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:

	<b>Six months ended 30 June</b>	
	<b>2023 RMB'000 (Unaudited)</b>	2022 RMB'000 (Unaudited)
Fees	<b>286</b>	329
Salaries and other benefits	<b>9,300</b>	8,869
Contributions to retirement benefits schemes	<b>44</b>	44
	<b>9,630</b>	9,242

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)				
Financial asset at fair value through profit or loss ("FVTPL") - unquoted equity investment	Asset 500	Asset 500	Level 3	Method of comparables is used to evaluate the market value of the unquoted equity investments by using price to book ratio of listed entities in similar industries	Discount for lack of marketability of 32% as at 30 June 2023 (31 December 2022: 32%), determined by reference to recent market research	A significant increase in the discount for lack of marketability would result in a significant decrease in the fair value
Financial asset at FVTPL – financial investment product	Asset 21,834	Asset –	Level 2	Market approach  The fair value is determined with reference to the observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A
Foreign currency forward contracts classified as financial instruments accounted for as FVTPL in the condensed consolidated statement of financial position	Liabilities (717) Assets 2,440	Liabilities (10,087) Assets 1,841	Level 2	Discounted cash flow  Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

### Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. For the unlisted equity investment, the third party qualified valuers were engaged by the Group to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The external valuers' findings are reported to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

## 22. MAJOR NON-CASH TRANSACTION

During the current interim period, short term borrowings drawn on discounted bills with recourse and bills receivables endorsed to suppliers with full recourse of RMB251,378,000 (six months ended 30 June 2022: RMB18,353,000) and RMB609,196,000 (six months ended 30 June 2022: RMB163,301,000), respectively, have been derecognised when the related receivables were matured. Discounted bills with recourse amount of RMB91,167,000 (six months ended 30 June 2022: RMB33,553,000) and bills receivables endorsed to suppliers with full recourse amount of RMB297,255,000 (six months ended 30 June 2022: RMB222,600,000) have been recognised for which the maturity dates of the related receivables have not yet fallen due at the end of the reporting period.

# Management Discussion and Analysis

## BUSINESS REVIEW AND FINANCIAL RESULTS

In the first half of 2023, the global economic recovery was weak and inflation remained high. With domestic economy and society fully restoring normal operation, the Chinese economy has withstood external pressure and picked up, showing improved major indicators and better development quality.

At the NPC and CPPCC held in March 2023, it was pointed out that the transformation and innovation and upgrading of the pharmaceutical industry play a vital role in improving people's life and health, focusing on the topics of "health", "innovation" and "cooperation" in the pharmaceutical field. In the first half of this year, the eighth batch of state organized centralized drug procurement was carried out in an orderly manner, and a total of 39 drugs were successfully purchased, covering anti-infection, cardiovascular and cerebrovascular diseases, anti-allergy, mental diseases and other common diseases and chronic diseases. In addition, the adjustment of National Medical Insurance Drug List in 2023 has been started, with the goal of optimizing the structure of the drug list, making management more scientific and standardized, payment more efficient and protection more fair, and helping to solve the people's worries for medical treatment. With the continuous deepening of the reform of the medical and health care system and the continuous improvement of the industry structure, the Group's market position has been further consolidated.

For the six months ended 30 June 2023 (the "Period"), the Group recorded revenue of RMB6,906.5 million, an increase of 33.3% as compared with the same period last year. EBITDA was RMB1,953.8 million, representing a year-on-year increase of 71.2%. Profit attributable to owners of the Company was RMB1,284.5 million, representing a year-on-year increase of 104.0%. Earnings per share were RMB70.69 cents. The Board recommended the payment of an interim dividend of RMB12 cents per share for the six months ended 30 June 2023.

During the Period, segmental revenue (including inter-segment sales) of intermediate products, bulk medicine and finished products was RMB2,692.1 million, RMB3,849.1 million and RMB2,436.1 million respectively, representing increase of 37.2%, 34.6% and 29.1% respectively as compared with the same period in the previous year. Segmental profit of intermediate products, bulk medicine and finished products amounted to RMB814.4 million, RMB428.0 million and RMB303.8 million respectively, representing an increase of 89.8%, increase of 133.4% and decrease of 1.2% respectively as compared to last corresponding period.

The operating results of each segment of the Group are summarised as follows:

# Management Discussion and Analysis

## Intermediate Products and Bulk Medicine

During the Period, the intermediate products and bulk medicines segment recorded external sales of RMB1,047.4 million and RMB3,423.0 million, respectively, representing a year-on-year increase of 41.4% and 34.1%, respectively. Overseas export recorded sales of RMB1,362.4 million, representing a year-on-year increase of 29.4%, and accounting for 19.7% of total revenue of the Group. The recovery in demand, especially in overseas markets, led to a steady increase in the market prices of the related products, and the Group continued to hold a leading position in the domestic and export markets for intermediate products and bulk medicines.

## Finished Products

During the Period, the sales of finished products was RMB2,436.1 million, representing a year-on-year increase of 29.1%.

Diabetes series recorded total sales revenue of RMB498.0 million, representing a year-on-year decrease of 19.6%. Among that, human insulin recorded sales revenue of RMB230.9 million; insulin analogues recorded total sales revenue of RMB267.1 million. The sales volume of insulin analogues maintained a rapid growth during the Period.

Antibiotics products, including veterinary drugs, recorded sales revenue of RMB1,725.0 million, representing a year-on-year increase of 50.5%. Among that the piperacillin sodium and tazobactam sodium for injection recorded a sales revenue of RMB386.6 million, representing a year-on-year increase of 22.7%, and amoxicillin capsules recorded a sales revenue of RMB247.1 million, representing a year-on-year increase of 17.7%. During the Period, the Group's piperacillin sodium and tazobactam sodium for injection (specification: 4.5g) was selected in the eighth batch of national organized drug centralised procurement, and the future sales scale is expected to reach a new level.

The veterinary drugs recorded sales revenue of RMB534.3 million representing a year-on-year increase of 158.6%. During the Period, the strategic cooperation between United Animal Healthcare (Inner Mongolia) Co., Ltd. (內蒙古聯邦動保藥品有限公司), a wholly-owned subsidiary of the Company, and Muyuan Foods Co., Ltd. (牧原食品股份有限公司) was in smooth progress. The Group will continue to enhance its comprehensive competitiveness in the field of veterinary drug, with an aim to build a leading brand in China's animal health industry.

## Progress of Pharmaceutical Research and Development

During the Period, the Group invested a total of RMB350.3 million in pharmaceutical R&D, with a year-on-year increase in R&D expenses of 44.4%, including expensed R&D investment of RMB338.7 million and capitalisation R&D expenditure of RMB11.6 million. The Group has 34 human use new products under development, of which 16 products are class-I new drugs. The Group has established a comprehensive research and development system characterised 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, high-end anti-infection and other fields. As innovation is the fundamental driving force for our development, we will efficiently promote the research, development and marketing of new drugs, expand the fields of drug research, foster greater global outlook, and improve the high-end talent team in order to continuously enhance our competitiveness and creativity.

## Management Discussion and Analysis

During the Period, the Group made significant progress in pharmaceutical research and development.

- In March, the class-1 new drug, TUL12101 eye drops, was approved for clinical trials. TUL12101 is a new generation of small molecule RASP (active aldehyde) inhibitor developed by the Group, which can alleviate inflammatory response, break the vicious cycle of inflammation, and achieve the purpose of treating xerophthalmia. At present, there are no other products with the same mechanism launched at home and abroad.
- In April, the insulin degludec and liraglutide injection was approved for clinical trials. The Group is the first company in China to obtain the clinical approval of this biosimilar.
- In April, the semaglutide injection was approved for clinical trials for the indication of weight management. Currently the Group is the first company in China to obtain the clinical approval of this biosimilar.
- In June, the application for clinical trial registration of the Group's self-developed class-1 innovative drug UBT251 injection was accepted for the indications of T2DM, weight management and non-alcoholic fatty liver/non-alcoholic steatohepatitis (NASH). At present, the Company is the first in China and the second in the world to apply for clinical trial registration for the long-acting GLP-1 (glucagon-like peptide-1)/GIP (Glucose-dependent insulin stimulating polypeptide)/GCG (glucagon) triple-agonist prepared by the chemical synthetic peptide method.

In terms of the quality and efficacy consistency evaluation of generic drugs ("consistency evaluation"), the amoxicillin capsule (specification: 0.5g) declared by the Group was approved to pass the consistency evaluation, which is the third amoxicillin capsule variety of the Group to pass the consistency evaluation. The Group will continue to promote the research and development and the consistency evaluation of new drugs to provide patients with more safe and high-quality drug options in the future.

### Optimising Financial Structure

In terms of finance, the Group continuously optimised the financial structure to improve liquidity by adjusting the ratio of onshore and offshore borrowings and reducing the financial expenses. During the Period, the finance costs of the Group were RMB38.7 million, representing a year-on-year increase of 77.7%. As at 30 June 2023, the Group's net bank balances and cash (after deducting borrowings and trade payables under supplier finance arrangement) amounted to RMB1,579.9 million. The Group will actively adjust its financial structure by using onshore Renminbi as the main borrowing currency in its efforts to reduce overall finance costs, balance the risk of exchange rate fluctuation, enhance financial flexibility and efficiency in the utilisation of funds and maintain robust financial position.

# Management Discussion and Analysis

## Liquidity and Financial Resources

As at 30 June 2023, the Group had pledged bank deposits, cash and bank balances amounted to RMB5,419.2 million (31 December 2022: RMB5,437.8 million).

As at 30 June 2023, the Group had interest-bearing borrowings of RMB1,520.9 million (31 December 2022: RMB2,455.1 million), which were denominated in Hong Kong dollars and Renminbi with maturity within five years. Interest-bearing borrowings of RMB691.2 million (31 December 2022: RMB251.4 million) are fixed rates loans while the remaining balance of RMB829.7 million (31 December 2022: RMB2,203.7 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 2023, current assets of the Group amounted to RMB13,212.1 million (31 December 2022: RMB12,514.9 million). Net current assets increased from RMB5,481.9 million as at 31 December 2022 to RMB6,148.4 million as at 30 June 2023. The Group's current ratio was 1.87 as at 30 June 2023 as compared with 1.78 as at 31 December 2022. As at 30 June 2023, the Group had total assets of RMB19,770.0 million (31 December 2022: RMB18,979.6 million) and total liabilities of RMB8,238.3 million (31 December 2022: RMB8,370.2 million). Equity attributable to shareholders of the Company increased from RMB10,608.1 million at 31 December 2022 to RMB11,530.5 million at 30 June 2023. As at 30 June 2023, the Group's net cash and bank balances (after deducting borrowings and trade payables under supplier finance arrangement) amounted to RMB1,579.9 million (31 December 2022: RMB1,394.6 million).

## Contingent Liabilities

As at 30 June 2023 and 31 December 2022, the Group had no material contingent liabilities.

## Currency Exchange Exposures

The Group's purchases and sales are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The operating expenses of the Group are mainly denominated in Renminbi and Hong Kong dollars. The Group's borrowings are denominated in Hong Kong dollars and Renminbi. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates. Besides, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instrument for hedging purpose when considered appropriate.

## Employees and Remuneration Policies

As at 30 June 2023, the Group had approximately 14,000 (31 December 2022: 14,000) 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.

# Management Discussion and Analysis

## Litigations

Reference is made to the Company's announcements dated 9 August 2019, 14 August 2019 and 9 November 2022 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 (the "Action"). Due to the large number of actions against China Evergrande Group commenced in the Guangzhou Intermediate People's Court, the Action is handled by the Chengdu Intermediate People's Court. After accepting the case, the Chengdu Intermediate People's Court heard the case in the first session on 21 February 2023, and a second hearing on 6 June 2023. It is currently awaiting the first-instance judgment of the Chengdu Intermediate People's Court.

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

## Proposed Adoption of Share Award Scheme

As announced on 4 August 2023, the Board proposed to adopt the share award scheme (the "2023 Share Award Scheme"). The purpose of the 2023 Share Award Scheme is to recognise the contributions by certain selected participants with an opportunity to acquire a proprietary interest in the Company, encourage and retain such individuals for the continual operation and development of the Group, provide additional incentives for them to achieve performance goals, attract suitable personnel for the further development of the Group and motivate the selected participants to maximise the value of the Company for the benefits of both the selected participants and the Company.

The adoption of the 2023 Share Award Scheme is conditional upon the approval of the shareholders of the Company and the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares which may fall to be issued and allotted pursuant to any awards that may be granted under the 2023 Share Award Scheme.

## OUTLOOK

At present, China's economy has gradually entered a stage of recovery growth after emerging from the impact of the epidemic, the order of medical institutions is basically normal, and the demand for drugs is steadily released. In the context of the deepening reform of the medical and health system, the Group will further consolidate its core industrial advantages, strengthen the cost control of the industrial chain, continue to promote the brand strategy, and accelerate the process of market development and commercialisation. Meanwhile, we will constantly improve the strength of scientific research and innovation, efficiently promote the process of new drug research and development and marketing, upgrade production line facilities, and comprehensively improve the industrialization capacity. In addition, we will actively expand external cooperation and take multiple measures to add impetus to the Group's long-term sustainable development. Looking ahead, the Group is confident that it will keep consolidating and enhancing its position and influence in the pharmaceutical industry in China amid the wave of changes in the industry, so as to create more value for shareholders and the society.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS AND CONTRACTS

None of the directors have any interests in a business which competes with the business of the Group. Furthermore, no contracts of significance in relation to the Group's business in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the directors and chief executive of the Company had the following interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code")):

Long position in the ordinary shares of the Company:

Name of directors	Number of shares	Capacity	Percentage of interest
Mr. Tsoi Hoi Shan	16,306,875	Personal interest	0.90%
Mr. Leung Wing Hon	22,000	Personal interest	0.00%
Ms. Choy Siu Chit	117,875	Personal interest	0.01%
Ms. Zou Xian Hong	200,000	Personal interest	0.01%
Ms. Zhu Su Yan	179	Personal interest	0.00%

Save as disclosed above, as at 30 June 2023, none of the directors, chief executive and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information

### DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

During the Period, the Company did not grant any rights to any directors, chief executive and their respective spouse or children under 18 of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company, and none of the above persons have exercised the said rights during the year. The Company, its holding company or any of its subsidiaries were not a party to any arrangements to enable the directors to acquire such benefits in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, the following shareholders, other than the directors or chief executive of the Company, were recorded in the register required to be kept by the Company under section 336 of the SFO as being interested (including short positions) in the shares or underlying shares of the Company:

Long and short positions in the ordinary shares of the Company:

Name	Notes	Number of shares held	Percentage of Interest
Heren Far East Limited ("Heren")		898,250,000(L)	49.44%
Heren Far East #4 Limited	(1)	898,250,000(L)	49.44%
IQ EQ Services (HK) Limited	(2)	898,250,000(L)	49.44%

*L/S: Long position/short position*

*Notes:*

- (1) Heren Far East #4 Limited is interested in more than one-third of the issued share capital of Heren, and is deemed or taken to be interested in the 898,250,000 shares of the Company beneficially owned by Heren for the purposes of Part XV of the SFO.
- (2) IQ EQ Services (HK) Limited is the trustee of the respective trusts holding entire interest in each of Heren Far East #2 Limited, Heren Far East #3 Limited and Heren Far East #4 Limited (which together hold the entire issued share capital of Heren), and is deemed to be interested in the 898,250,000 shares of the Company beneficially owned by Heren for the purposes of Part XV of the SFO.

Save as disclosed above, no other person being recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 30 June 2023.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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 2023.

### **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange 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 2023.

### **CORPORATE GOVERNANCE**

The Board is of the view that best corporate governance is crucial to safeguard the interests of shareholders and to enhance the Group’s performance. The Board is dedicated to maintaining and ensuring a high standard of corporate governance. For the six months ended 30 June 2023, the Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code (“CG Code”) and Corporate Governance Report contained in Appendix 14 of Listing Rules, except for deviation which is summarised 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 2023, the Company did not have a chief executive officer. The Company will make appointment to fill the post as appropriate.

### **DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES**

(a) The Company, as borrower, has entered into a facility letter on 13 September 2022 with Bank of Communications (Hong Kong) Limited for a term loan facility of HK\$300,000,000. The term loan facility shall be available for 12 months from the date of acceptance of the facility letter. The term loans under the facility shall be repaid by instalments as 10%, 20%, 20% and 50% of all loans outstanding in the 18, 24, 30 and 36 months respectively from the date of first drawdown.

The facility letter imposes, among other matters, Mr. Tsoi Hoi Shan, Ms. Choy Siu Chit, Ms. Ning Kwai Chun and their family trusts shall (i) individually or collectively have the largest shareholding interest in the Company and beneficially own in aggregate (directly or indirectly) at least 40% of beneficial interest, and carrying at least 40% of the voting rights, in all issued share capital of the Company; (ii) be the chairman of the Board; and (iii) remain the absolute management control over the Company and its group.

(b) The Company, as borrower, has entered into a facility letter dated 30 August 2022 with Hang Seng Bank Limited for a term loan facility of HKD200,000,000. The term loan facility shall be available for drawdown within 6 months from the acceptance of the facility letter. The term loan shall be repaid by four instalments each as 25% of the loan amount in the 18th, 24th, 30th and 35th months respectively from the date of first drawdown.



## Other Information

The facility letter imposes, among other matters, Mr. Tsoi Hoi Shan and his family members shall (i) not cease to be the chairman of the Board; (ii) not cease to be the single largest shareholder of the Company; (iii) individually or collectively not cease to own, directly or indirectly, at least 40% of beneficial interest, and carrying at least 40% of the voting rights, in all issued share capital of the Company; and (iv) not cease to maintain management control over the Company and its group.

### AUDIT COMMITTEE

The Audit Committee comprises of three independent non-executive directors, namely Mr. Chong Peng Oon, Prof. Song Ming and Dr. Fu Qiushi. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2023. 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, 18 September 2023 and Tuesday, 19 September 2023 on which no transfer of shares will be registered. In order to qualify for the interim dividend (record date being 19 September 2023), 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, 15 September 2023.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to our shareholders and partners in the community for their full trust and support in the first half of 2023, as well as to our 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, 29 August 2023