



The United Laboratories International Holdings Limited

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



2022 INTERIM REPORT



Our mission is to
make life more valuable



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Financial Highlights

	Six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Increase
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%

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
Ms. Fu Xiao Nan

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
Ms. Fu Xiao Nan

REMUNERATION COMMITTEE

Mr. Chong Peng Oon (*Chairman*)
Prof. Song Ming
Ms. Fu Xiao Nan

NOMINATION COMMITTEE

Prof. Song Ming (*Chairman*)
Mr. Chong Peng Oon
Ms. Fu Xiao Nan

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

China Development Bank, Hong Kong Branch
Bank of China (Hong Kong) Ltd.
Industrial and Commercial Bank of China (Asia) Ltd.
Taipei Fubon Commercial Bank Co., Ltd.
Chiyu Banking Corporation Ltd.
Nanyang Commercial Bank Ltd.
Hang Seng Bank Ltd.
Bank of Communications Co., Ltd., Hong Kong Branch
Fubon Bank (Hong Kong) Ltd.
China Everbright Bank Co., Ltd., Hong Kong Branch
China Minsheng Banking Corp., Ltd., Hong Kong Branch
Industrial Bank Co., Ltd., Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

WEBSITE

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www.irasia.com/listco/hk/unitedlab

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

**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 34, which comprise the condensed consolidated statement of financial position as of 30 June 2022 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
23 August 2022

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		(2,927,960)	(2,623,182)
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 losses under expected credit loss model, net of reversal	13	(12,379)	(105,578)
Finance costs	6	(21,802)	(32,361)
Profit before taxation		826,954	722,204
Tax expense	7	(197,437)	(97,586)
Profit for the period	8	629,517	624,618
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		2,214	474
Total comprehensive income for the period		631,731	625,092
Profit for the period attributable to:			
Owners of the Company		629,517	623,076
Non-controlling interests		–	1,542
		629,517	624,618
Total comprehensive income for the period attributable to:			
Owners of the Company		631,731	623,550
Non-controlling interests		–	1,542
		631,731	625,092
Earnings per share (RMB cents)	9		
– Basic		34.55	33.86

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	<i>NOTES</i>	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	21	500	500
Deferred tax assets	7	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	15	6,000	24,000
Pledged bank deposits	19	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	14	4,801,319	4,699,608
Contract liabilities		89,198	107,955
Derivative financial instruments	16	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	15	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

At 30 June 2022

	<i>NOTES</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities	7	200,877	172,309
Deferred income in respect of government grants	14	50,303	55,319
Lease liabilities		5,796	7,125
Borrowings – due after one year	15	482,198	221,212
		<u>739,174</u>	<u>455,965</u>
		<u>9,749,193</u>	<u>9,339,908</u>
Capital and reserves			
Share capital	17	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		<u>9,749,193</u>	<u>9,339,908</u>

The condensed consolidated financial statements from pages 5 to 34 were approved and authorised for issue by the Board of Directors on 23 August 2022 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 2022

	Attributable to owners of the Company							Subtotal RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury stock RMB'000	Special reserve RMB'000 (Note b)	Capital reserve RMB'000 (Note a)	Foreign exchange reserve RMB'000	Retained profits RMB'000			
At 1 January 2021 (Audited)	17,183	3,805,695	-	277,100	1,035,377	7,207	3,471,344	8,613,906	(2,071)	8,611,835
Exchange differences arising on translation of foreign operations	-	-	-	-	-	474	-	474	-	474
Profit for the period	-	-	-	-	-	-	623,076	623,076	1,542	624,618
Total comprehensive income for the period	-	-	-	-	-	474	623,076	623,550	1,542	625,092
Dividends recognised as distribution (Note 10)	-	-	-	-	-	-	(147,231)	(147,231)	-	(147,231)
Appropriations	-	-	-	-	70,419	-	(70,419)	-	-	-
At 30 June 2021 (Unaudited)	17,183	3,805,695	-	277,100	1,105,796	7,681	3,876,770	9,090,225	(529)	9,089,696
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

Notes:

- (a) 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.
- (b) 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 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Profit before taxation	826,954	722,204
Adjustments for:		
Write-down (reversal of write-down) of inventories, net	432	(3,252)
Impairment losses under expected credit loss model, net of reversal	12,379	105,578
Imputed interest income from consideration receivables	–	(16,901)
Amortisation of intangible assets	8,482	6,342
Depreciation of property, plant and equipment	278,560	291,592
Depreciation of right-of-use assets	5,198	4,322
Gain on fair value change of financial asset at fair value through profit or loss	–	(470)
Net (gain) loss on fair value change of derivative financial instruments	(308)	6,958
Finance costs	21,802	32,361
Release of government grants	(7,778)	(4,684)
Bank interest income	(29,512)	(16,713)
Net loss on disposal of property, plant and equipment	22,066	17,057
Net unrealised foreign exchange loss (gain)	71,515	(23,626)
Operating cash flows before movements in working capital	1,209,790	1,120,768
Increase in inventories	(215,176)	(221,402)
Increase in trade and bills receivables, other receivables, deposits and prepayments	(214,698)	(374,283)
Increase in trade and other payables	45,549	497,479
Decrease in contract liabilities	(18,757)	(6,739)
Cash generated from operations	806,708	1,015,823
Income taxes paid	(147,156)	(149,710)
Net cash from operating activities	659,552	866,113

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Investing activities		
Payments for purchase of property, plant and equipment	(247,751)	(307,652)
Payment for deposits of acquisition of property, plant and equipment	(70,571)	(41,464)
Receipts of commercial bills receivables	–	213,905
Proceeds on disposal of property, plant and equipment	252	3,130
Placement of pledged bank deposits	(1,826,178)	(1,234,031)
Withdrawal of pledged bank deposits	2,014,722	1,078,914
Interest received	29,512	16,713
Receipts of government grants	–	1,240
Additions to right-of-use assets	(25,513)	–
Additions to intangible assets	–	(2,239)
Addition of financial assets at fair value through profit or loss	–	(97,120)
Net cash used in investing activities	(125,527)	(368,604)
Financing activities		
Interest paid	(17,007)	(33,533)
Repayment of leases liabilities	(1,980)	(889)
New borrowings raised	861,357	564,564
Repayment of borrowings	(631,358)	(498,965)
Net settlement of cross currency interest rate swaps	(3,978)	–
Net settlement of foreign currency forwards contracts	5,403	–
Payment on repurchase and cancellation of shares	(40,451)	–
Transaction costs attributable to repurchase and cancellation of shares	(238)	–
Net cash from financing activities	171,748	31,177
Net increase in cash and cash equivalents	705,773	528,686
Cash and cash equivalents at beginning of the period	3,331,009	2,996,802
Effect of foreign exchange rate changes	1,174	670
Cash and cash equivalents at end of the period	4,037,956	3,526,158

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 Intend 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to HKFRSs (Continued)

2.1 Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018 – 2020 (Continued)

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

(i) Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2022 (Unaudited)

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	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	939,601	3,489,861	–	3,489,861
Insulin products	–	–	575,021	575,021	–	575,021
Others	346,313	3,164	373,030	722,507	–	722,507
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>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 June 2021 (Unaudited)

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Types of products						
6-APA	510,246	–	–	510,246	–	510,246
Antibiotics products	–	1,965,013	895,657	2,860,670	–	2,860,670
Insulin products	–	–	627,727	627,727	–	627,727
Others	311,719	3,197	405,495	720,411	–	720,411
Revenue from contracts with customers	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>

All of the Group's revenue is recognised at a point in time during the six months ended 30 June 2022 and 2021.

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 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
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>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 and ophthalmic products.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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
REVENUE						
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>
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 loss under expected credit loss model, net of reversal						(4,746)
Finance costs						<u>(21,802)</u>
Profit before taxation						<u>826,954</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Segment information *(Continued)*

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	<u>812,616</u>	<u>314,179</u>	<u>–</u>	<u>1,126,795</u>	<u>(1,126,795)</u>	<u>–</u>
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 loss under expected credit loss model, net of reversal						(104,407)
Finance costs						<u>(32,361)</u>
Profit before taxation						<u>722,204</u>

Measurement

The accounting policies of the reportable segments are the same as disclosed in the Company's 2021 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, corporate expenses, other gains and losses (net), impairment loss 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 2022

4. OTHER INCOME

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

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 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net foreign exchange (loss) gain	(48,568)	9,791
Net gain (loss) on fair value change of derivative financial instruments (<i>Note</i>)	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 11 outstanding derivative financial instruments held by the Group as at 30 June 2022 (31 December 2021: one).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

6. FINANCE COSTS

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

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 RMB'000 (Unaudited)	2021 RMB'000 (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	<u>16,500</u>	<u>–</u>
	<u>167,429</u>	<u>98,536</u>
Deferred tax charge (credit)	<u>30,008</u>	<u>(950)</u>
Tax expense	<u>197,437</u>	<u>97,586</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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.

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 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 2022

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	Tax loss RMB'000	Total RMB'000
At 1 January 2021 (Audited)	52,991	25,262	(119,582)	-	(41,329)
Credit (charge) to profit or loss for the period	<u>7,224</u>	<u>59</u>	<u>(22,821)</u>	<u>16,488</u>	<u>950</u>
At 30 June 2021 (Unaudited)	<u>60,215</u>	<u>25,321</u>	<u>(142,403)</u>	<u>16,488</u>	<u>(40,379)</u>
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>-</u>	<u>(30,008)</u>
At 30 June 2022 (Unaudited)	<u>58,791</u>	<u>22,551</u>	<u>(200,877)</u>	<u>-</u>	<u>(119,535)</u>

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Deferred tax assets	81,342	82,782
Deferred tax liabilities	<u>(200,877)</u>	<u>(172,309)</u>
	<u>(119,535)</u>	<u>(89,527)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (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
	<u>642,765</u>	<u>620,602</u>
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	<u>2,927,960</u>	<u>2,623,182</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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share being profit for the period attributable to the owners of the Company	<u>629,517</u>	<u>623,076</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

9. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)
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 RMB'000 (Unaudited)	2021 RMB'000 (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	–
	181,757	147,231

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).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 (<i>Note 13</i>)	(29,942)	(22,309)
Bills receivables	1,960,929	1,821,768
Less: allowance for credit losses (<i>Note 13</i>)	(10,456)	–
Consideration receivables	339,574	339,574
Less: allowance for credit losses (<i>Note 13</i>)	(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 (<i>Note 13</i>)	(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).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 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>

At 30 June 2022, the Group had RMB33,553,000 (31 December 2021: RMB18,353,000) of bills receivables discounted to several banks with full recourse, the Group continues to recognise the full carrying amount of these receivables and has recognised the cash received on such discounting arrangement as secured borrowings (Note 15). In addition, as at 30 June 2022, the Group had RMB325,039,000 (31 December 2021: RMB295,282,000) of bills receivables issued by the Group's debtors which had been endorsed to the Group's creditors for settlement (Note 14).

As at 30 June 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB539,307,000 (31 December 2021: RMB352,348,000) which are past due as at the reporting date. Out of the past due balances, RMB45,245,000 (31 December 2021: RMB9,992,000) has been past due 90 days or more and is not considered in defaults as the balances were related to customers with sound repayment history and no recent history of default. The Group does not hold any collateral over these balances.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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	Bank acceptance bills receivables RMB'000	Commercial bills receivables RMB'000	Consideration receivables RMB'000	Total RMB'000
At 1 January 2021 (Audited)	19,697	5,700	–	35,390	44,709	105,496
Impairment losses recognised (reversed)	1,171	(3,658)	–	(5,185)	113,250	105,578
Written off	–	–	–	(30,205)	–	(30,205)
At 30 June 2021 (Unaudited)	<u>20,868</u>	<u>2,042</u>	<u>–</u>	<u>–</u>	<u>157,959</u>	<u>180,869</u>
At 1 January 2022 (Audited)	22,309	9,967	–	–	339,574	371,850
Impairment losses recognised (reversed)	<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>

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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

The consideration receivables represent the last three installments arising from the disposal of a subsidiary to 恒大地產集團成都有限公司 ("Evergrande Chengdu"). The Group is currently initiating a litigation against Evergrande Chengdu to recover the consideration receivables, however, after considering various factors, including but not limited to the recoverable amount of the underlying assets, the potential transaction cost of recovering the consideration receivables, the financial position and credit risk of Evergrande Chengdu, the management are of the opinion that the last three installments are not probable to recover and, accordingly, has made a full provision for them during the year ended 31 December 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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:

	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
	1,517,645	1,071,967
Trade payables under supplier finance arrangement (<i>Note 1</i>)		
0 to 90 days	1,100,535	1,377,132
91 to 180 days	430,577	761,576
	1,531,112	2,138,708
Other payables and accruals	599,860	402,368
Other tax payable	139,614	141,766
Refund liabilities (<i>Note 2</i>)	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
	4,851,622	4,754,927
Less: Amount due within one year shown under current liabilities	(4,801,319)	(4,699,608)
Amount shown under non-current liabilities	50,303	55,319

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bank loans	2,092,879	1,757,229
Discounted bills with recourse (<i>Note 12</i>)	33,553	18,353
Other loans	10,438	55,536
	<u>2,136,870</u>	<u>1,831,118</u>
Analysed as:		
Secured	274,892	300,773
Unsecured	1,861,978	1,530,345
	<u>2,136,870</u>	<u>1,831,118</u>
The carrying amount of the above borrowings are repayable		
The carrying amount of the bank loans are repayable:		
– Within one year	815,208	980,434
– Within a period of more than one year, but not exceeding two years	114,373	11,344
– Within a period of more than two years but not more than five years	367,825	209,868
	<u>1,297,406</u>	1,201,646
The carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable*:		
– Within one year	324,179	268,698
– Within a period of more than two years but not more than five years	471,294	286,885
	<u>2,092,879</u>	1,757,229
The carrying amount of the non-bank loans are repayable:		
– Within one year	43,991	73,889
	<u>2,136,870</u>	1,831,118
Less: Amount due within one year shown under current liabilities	<u>(1,654,672)</u>	<u>(1,609,906)</u>
Amount shown under non-current liabilities	<u>482,198</u>	<u>221,212</u>

* 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 2022

15. BORROWINGS (Continued)

During the current interim period, the Group obtained borrowings amounting to RMB894,910,000 (six months ended 30 June 2021: RMB587,969,000), and the Group repaid borrowings of RMB631,358,000 (six months ended 30 June 2021: RMB498,965,000). The range of effective interest rates of the floating rate borrowings at 30 June 2022 is 0.77% to 4.20% (31 December 2021: 1.05% to 4.71%) per annum. The range of effective interest rates of the fixed rate borrowings at 30 June 2022 is 1.47% to 2.35% (31 December 2021: 1.40% to 2.79%) per annum.

As at 30 June 2022, other loans of RMB10,438,000 (31 December 2021: RMB55,536,000) which has been advanced from other financing institutions, independent third parties not connected to the Group, which is subject to floating interest rate and secured by plant and machinery with carrying amount of RMB127,940,000 (31 December 2021: RMB333,161,000) and other pledged deposits of RMB6,000,000 (31 December 2021: RMB24,000,000).

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cross currency interest rate swap – liability	3,640	5,812
Foreign currency forward contracts – liability	3,289	–
	<u>6,929</u>	<u>5,812</u>

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

30 June 2022

Major terms of the cross currency interest rate swap contract are as follows:

Notional amount	Maturity	Exchange rate	Pay/Receipt fixed
Sell USD89,288,000	8 November 2022	USD1: HKD7.75	2.73%
Buy HKD692,000,000	8 November 2022	USD1: HKD7.75	HIBOR+2.35%

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

16. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

30 June 2022 (Continued)

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

Notional amount	Maturity	Exchange rate
Buy USD5,000,000	14 September 2022	USD1: RMB6.68
Buy USD5,000,000	16 September 2022	USD1: RMB6.70
Buy EUR10,000,000	31 October 2022	USD1: RMB7.139
Buy USD5,000,000	14 December 2022	USD1: RMB6.681
Buy USD5,000,000	16 December 2022	USD1: RMB6.72
Buy USD5,000,000	14 March 2023	USD1: RMB6.685
Buy USD5,000,000	16 March 2023	USD1: RMB6.711
Buy USD5,000,000	27 April 2023	USD1: RMB6.5656
Buy USD55,000,000	15 May 2023	USD1: RMB6.555
Buy USD5,000,000	6 June 2023	USD1: RMB6.578

31 December 2021

Notional amount	Maturity	Exchange rate	Pay/Receipt fixed
Sell USD44,644,000	6 May 2022	USD1: HKD7.75	2.73%
Buy HKD346,000,000	6 May 2022	USD1: HKD7.75	HIBOR+2.35%
Sell USD89,288,000	8 November 2022	USD1: HKD7.75	2.73%
Buy HKD692,000,000	8 November 2022	USD1: HKD7.75	HIBOR+2.35%

Notes to the Condensed Consolidated Financial Statements

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17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 1 January 2021, 30 June 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>3,800,000,000</u>	<u>38,000</u>
Issued and fully paid:		
At 1 January 2021 and 30 June 2021	1,840,390,508	18,404
Share repurchased and cancelled	<u>(6,184,000)</u>	<u>(62)</u>
At 31 December 2021	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	<u>1,817,574,508</u>	<u>18,176</u>
		RMB'000
Shown in the consolidated financial statements as:		
At 30 June 2022		<u>16,970</u>
At 31 December 2021		<u>17,125</u>

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

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18. 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.

19. PLEDGE OF OR RESTRICTIONS ON ASSETS

Pledge of assets

Other than property, plant and equipment and deposits pledged to financing institutions disclosed in Note 15 to the condensed consolidated financial statements, 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

Restrictions on assets

In addition, lease liabilities of RMB9,626,000 (31 December 2021: RMB10,996,000) are recognised with related right-of-use assets of RMB8,607,000 (31 December 2021: RMB9,802,000) as at 30 June 2022. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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:

	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
	<u>9,242</u>	<u>8,610</u>

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).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

	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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)				
Financial assets						
Financial asset at fair value through profit or loss ("FVTPL") – unquoted equity investment	500	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 2022 (31 December 2021: 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 liabilities						
Cross currency interest rate swap classified as financial instruments accounted for as FVTPL in the condensed consolidated statement of financial position	3,640	5,812	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
Foreign currency forward contracts classified as financial instruments accounted for as FVTPL in the condensed consolidated statement of financial position	3,289	–	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

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 RMB18,353,000 (six months ended 30 June 2021: RMB26,493,000) and RMB163,301,000 (six months ended 30 June 2021: RMB193,984,000), respectively, have been derecognised when the related receivables were matured. Discounted bills with recourse amount of RMB33,553,000 (six months ended 30 June 2021: RMB23,405,000) and bills receivables endorsed to suppliers with full recourse amount of RMB222,600,000 (six months ended 30 June 2021: RMB181,170,000) have been recognised for which the maturity dates of the related receivables have not yet fallen due at the end of the reporting period.

23. 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 issuance of the condensed consolidated financial statements.

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 the national centralised procurement of drugs, 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.

Management Discussion and Analysis

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. (內蒙古聯邦動保藥品有限公司) (“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.

Management Discussion and Analysis

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 (2021 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 the national centralised procurement 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.

Other Information

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 2022, 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	0.89%
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, 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.

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 2022, 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)	49.42%
Heren Far East #4 Limited	(1)	898,250,000(L)	49.42%
IQ EQ Services (HK) Limited	(2)	898,250,000(L)	49.42%

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 2022.

Other Information

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.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

(a) The Company’s indirect wholly-owned subsidiary The United Laboratories (Inner Mongolia) Co., Ltd., as borrower, entered into a facility agreement dated 23 September 2019 with China Development Bank Hong Kong Branch for HK\$300,000,000 term loan facility. The loans under the facility shall be repaid by installments with the final repayment date falling 60 months from the first utilisation date.

The facility agreement imposes, among other matters, Mr. Tsoi Hoi Shan, Ms. Choy Siu Chit, Ms. Ning Kwai Chun and their family trusts collectively to own more than 51% of the entire issued capital of the Company.

(b) The Company, as borrower, entered into a facility agreement dated 8 November 2019 with, among others, Bank of Communications Co. Ltd. Hong Kong Branch, Fubon Bank (Hong Kong) Limited, Hang Seng Bank Limited and Taipei Fubon Commercial Bank Co., Ltd., as mandated lead arrangers and bookrunners, for the dual currency term loan facilities in the amount equivalent to up to HK\$2 billion. The loan under the facilities shall be repaid in installments within a 36-month term from the date of the facility agreement.

The facility agreement imposes that, among other matters, Mr. Tsoi Hoi Shan, Ms. Choy Siu Chit, Ms. Ning Kwai Chun and their family trusts (i) individually or collectively do not cease to be the single largest shareholder of the Company; (ii) individually or collectively hold at least 40% of the entire issued capital of the Company; and (iii) do not cease management control over the Company or the Group. Any breach of these obligations will result in the facilities being cancelled and the loans, together with accrued interest and all other amounts outstanding, will become payable within five business days.

Other Information

- (c) The Company, as borrower, entered into a facility letter dated 28 May 2021 with Nanyang Commercial Bank Limited for term loan facility of HK\$150,000,000 (or its equivalent amount in USD or EUR). The term loan under the facility letter shall be repaid by four instalments on the dates falling the 18th, 24th, 30th and 36th month after 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) remain as the single largest shareholder of the Company; (ii) hold over 40% of the issued shares of the Company; and (iii) remain the absolute management control over the Company and its group companies.

- (d) The Company, as borrower, entered into a facility letter dated 9 August 2021 with Bank of China (Hong Kong) Limited for a term loan facility up to HK\$200,000,000. The term loan under the facility letter shall be repaid in full one year from the date of first drawdown.

The facility letter imposes, among other matters, Mr. Tsoi Hoi Shan and his family members shall maintain as the chairman of the Board and maintain not less than 40% controlling interests of the Company.

- (e) The Company, as borrower, entered into a facility letter dated 9 August 2021 (amended on 4 October 2021) with Chiyu Banking Corporation Limited for a revolving loan facility up to HK\$300,000,000. The loan under the facility letter shall be repaid or reborrowed at the end of interest period either one, two or three month(s), and the principal shall be repaid every twelve months after the date of each drawdown.

The facility letter imposes, among other matters, Mr. Tsoi Hoi Shan and his family member(s) shall (i) remain as the chairman of the Board; and (ii) maintain not less than 40% of the issued shares of the Company.

- (f) The Company, as borrower, entered into a banking facility letter dated 16 September 2021 with Industrial and Commercial Bank of China (Asia) Limited for loan facilities of USD20,000,000 (or its equivalent in HKD, EUR or RMB). The loans under the facility letter are with tenor of maximum one year and repayable on demand.

The facility letter imposes, among other matters, Mr. Tsoi Hoi Shan and his family members shall (i) remain as the chairman of the Board of the Company; (ii) maintain, directly or indirectly, as the single largest shareholder with at least 40% shareholding in the Company; and (iii) remain the absolute management control over the Company and its group companies.

- (g) The Company, as borrower, entered into a banking facility letter dated 23 September 2021 with Fubon Bank (Hong Kong) Limited for a revolving loan facility of up to HK\$200,000,000. Each advance under the facility letter shall be for an interest period of one, two or three month(s) at the Company's option. Each advance shall be repaid at the end of the interest period.

The facility letter imposes, among other matters, Mr. Tsoi Hoi Shan and his family members shall (i) remain as the single largest shareholder of the Company; (ii) hold over 40% of the issued shares of the Company; and (iii) remain the absolute management control over the Company and its group companies.

- (h) The Company, as borrower, entered into a facility agreement dated 8 December 2021 with China Everbright Bank Co., Ltd., Hong Kong Branch for uncommitted term loan facility of up to HK\$200,000,000 (or its equivalent amount in EUR or USD). The term loan facility shall be available for drawdown within 3 months from the acceptance of the facility agreement. The term loan under the facility shall be repaid by instalment as 10%, 20%, 20% and 50% of all outstanding drawdowns as at the end of the term loan facility available period in the 18th, 24th, 30th and 36th month respectively from the date of first drawdown.

The facility agreement imposes, among other matters, Mr. Tsoi Hoi Shan, Ms. Choy Siu Chit, Ms. Ning Kwai Chun and their family trusts (i) individually or collectively do not cease to be the single largest shareholder of the Company; (ii) individually or collectively hold at least 40% of the entire issued capital of the Company; and (iii) do not cease to be the chairman of the Board and management control over the Company.

- (i) The Company, as borrower, has entered into a facility letter dated 14 March 2022 with Industrial Bank Co., Ltd. Hong Kong Branch for uncommitted revolving loan facility of up to HK\$100,000,000 with maturity of twelve months. Each drawdown under the Facility Letter shall be repayable in full on the last day of the corresponding interest period of one, three or six month(s) unless allowed for a rollover by the bank.

The facility letter imposes, among other matters, Mr. Tsoi Hoi Shan, Ms. Choy Siu Chit, Ms. Ning Kwai Chun or their family members should (i) individually or collectively be the largest shareholder of the Company and individually or collectively remain their direct or indirect shareholding in the Company at not less than 40%; (ii) remain the chairman of the Board and maintain management control over the Company.

- (j) The Company, as borrower, has entered into a revised facility letter with Bank of China (Hong Kong) Limited on 5 May 2022 for term loan facilities of (i) term loan of HKD200,000,000 ("Term Loan 1"), being the original term loan under the Facility Letter; and (ii) term loan up to HKD200,000,000 or its equivalent amount in USD ("Term Loan 2"). The term loan facility shall be available for drawdown within 3 months from the acceptance of the Revised Facility Letter. The Term Loan 1 shall be repaid in full one year from the date of first drawdown. The Term Loan 2 shall be repaid by four instalments as 10%, 20%, 20% and 50% of the total outstanding balance as at the end of the term loan facility available period in the 18, 24, 30 and 36 months respectively from the date of first drawdown.

Other Information

The revised facility letter imposes, among other matters, Mr. Tsoi Hoi Shan and his family members shall (i) maintain as the chairman of the Board; (ii) remain as the single largest shareholder of the Company and maintain not less than 40% shareholdings of the Company (whether directly or indirectly); and (iii) remain the absolute management control of the Company and its group.

- (k) The Company, as borrower, entered into a loan agreement dated 19 May 2022 with China Minsheng Banking Corp., Ltd Hong Kong Branch for a term loan facility equal to equivalent of HK\$300,000,000. The term loan facility shall be available for drawdown within 3 months from the date of the loan agreement. The term loans under the facility shall be repaid by instalments as 20%, 20%, 20% and 40% of all loans outstanding on the last date of available period in the 18, 24, 30 and 36 months respectively from the date of first drawdown.

The loan agreement imposes, among other matters, Mr. Tsoi Hoi Shan, Ms. Choy Siu Chit, Ms. Ning Kwai Chun and their family trusts (individually or collectively, directly or indirectly) (i) remain the single largest shareholder of the Company; (ii) hold beneficially at least 40% of the issued share capital of the Company; and (iii) have management control over the Company or the group.

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