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## **The United Laboratories International Holdings Limited**

**聯邦制藥國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 3933)

### **Interim Results Announcement**

**For the six months ended 30 June 2024**

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>		<b>Increase</b>
	<b>2024</b>	<b>2023</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Revenue	<b>7,175,804</b>	6,906,524	<b>3.9%</b>
EBITDA	<b>2,231,943</b>	1,953,790	<b>14.2%</b>
Profit before taxation	<b>1,901,702</b>	1,612,155	<b>18.0%</b>
Profit for the period attributable to the owners of the Company	<b>1,491,404</b>	1,284,496	<b>16.1%</b>
	<b>RMB cents</b>	<b>RMB cents</b>	
Earnings per share - Basic	<b>82.08</b>	70.69	<b>16.1%</b>
Interim dividend (per share)	<b>16.0</b>	12.0	<b>33.3%</b>

The Board of Directors (the “Board”) of The United Laboratories International Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	7,175,804	6,906,524
Cost of sales		<u>(3,831,439)</u>	<u>(3,693,226)</u>
Gross profit		3,344,365	3,213,298
Other income	4	170,015	92,491
Other gains and losses, net	5	41,958	52,472
Selling and distribution expenses		(706,651)	(974,906)
Administrative expenses		(354,050)	(380,688)
Research and development expenditures		(446,800)	(338,678)
Other expenses		(83,023)	(6,275)
Impairment losses under expected credit loss model, net of reversal		(38,756)	(6,988)
Share of results of an associate		(184)	165
Finance costs	6	<u>(25,172)</u>	<u>(38,736)</u>
Profit before taxation		1,901,702	1,612,155
Tax expense	7	<u>(410,707)</u>	<u>(327,915)</u>
<b>Profit for the period</b>	8	<u>1,490,995</u>	<u>1,284,240</u>
<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		<u>646</u>	<u>1,351</u>
<b>Total comprehensive income for the period</b>		<u>1,491,641</u>	<u>1,285,591</u>
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		1,491,404	1,284,496
Non-controlling interests		<u>(409)</u>	<u>(256)</u>
		<u>1,490,995</u>	<u>1,284,240</u>
<b>Total comprehensive income (expense) for the period attributable to:</b>			
Owners of the Company		1,492,050	1,285,847
Non-controlling interests		<u>(409)</u>	<u>(256)</u>
		<u>1,491,641</u>	<u>1,285,591</u>
Earnings per share	9	RMB cents	RMB cents
- Basic		<u>82.08</u>	<u>70.69</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2024**

	Notes	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>6,852,226</b>	6,483,406
Right-of-use assets		<b>401,616</b>	390,701
Goodwill		<b>3,031</b>	3,031
Intangible assets		<b>157,747</b>	133,959
Interests in an associate		<b>7,120</b>	7,304
Deposits for acquisition of property, plant and equipment		<b>168,363</b>	130,278
Financial asset at fair value through profit or loss		<b>500</b>	500
Deferred tax assets		<b>87,802</b>	80,800
		<b><u>7,678,405</u></b>	<u>7,229,979</u>
<b>Current assets</b>			
Inventories		<b>2,376,200</b>	2,238,483
Trade and bills receivables, other receivables, deposits and prepayments	12	<b>5,449,617</b>	6,314,480
Pledged bank deposits	15	<b>767,077</b>	972,249
Cash and cash equivalents		<b>6,554,830</b>	4,261,989
		<b><u>15,147,724</u></b>	<u>13,787,201</u>
<b>Current liabilities</b>			
Trade and other payables	13	<b>5,349,152</b>	6,052,651
Contract liabilities		<b>116,512</b>	115,584
Derivative financial instruments		-	25,587
Dividend payables	10	<b>726,811</b>	-
Lease liabilities		<b>4,551</b>	2,509
Tax payables		<b>207,747</b>	232,548
Borrowings - due within one year		<b>1,009,449</b>	197,853
		<b><u>7,414,222</u></b>	<u>6,626,732</u>
<b>Net current assets</b>		<b><u>7,733,502</u></b>	<u>7,160,469</u>
<b>Total assets less current liabilities</b>		<b><u>15,411,907</u></b>	<u>14,390,448</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued**  
**AT 30 JUNE 2024**

	Note	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>368,264</b>	288,080
Deferred income in respect of government grants	13	<b>27,191</b>	32,237
Derivative financial instruments		-	19,191
Lease liabilities		<b>12,569</b>	4,322
Borrowings - due after one year		<b>1,430,000</b>	1,299,000
		<b>1,838,024</b>	1,642,830
<b>Net assets</b>		<b>13,573,883</b>	12,747,618
<b>Capital and reserves</b>			
Share capital		<b>16,965</b>	16,965
Reserves		<b>13,508,488</b>	12,717,813
Equity attributable to owners of the Company		<b>13,525,453</b>	12,734,778
Non-controlling interests		<b>48,430</b>	12,840
<b>Total equity</b>		<b>13,573,883</b>	12,747,618

## NOTES TO FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix D2 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 change in 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 2024 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2023.

#### *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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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.

### 3. REVENUE AND SEGMENT INFORMATION

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.

### 3. REVENUE AND SEGMENT INFORMATION - Continued

#### (a) Segment Revenue and Results

##### For the six months ended 30 June 2024 (Unaudited)

	Intermediate <u>products</u> RMB'000	Bulk <u>medicine</u> RMB'000	Finished <u>products</u> RMB'000	Segments <u>total</u> RMB'000	<u>Elimination</u> RMB'000	<u>Consolidated</u> RMB'000
REVENUE						
External sales	1,313,961	3,464,066	2,397,777	7,175,804	-	7,175,804
Inter-segment sales	1,767,321	453,574	-	2,220,895	(2,220,895)	-
Segment revenue	<u>3,081,282</u>	<u>3,917,640</u>	<u>2,397,777</u>	<u>9,396,699</u>	<u>(2,220,895)</u>	<u>7,175,804</u>
RESULTS						
Segment profit (Note)	<u>1,068,451</u>	<u>521,959</u>	<u>241,181</u>			1,831,591
Share of results of an associate						(184)
Unallocated other income						53,567
Unallocated corporate expenses						(72,631)
Unallocated other gains and losses, net						114,482
Impairment losses of other receivables under expected credit loss model, net of reversal						49
Finance costs						<u>(25,172)</u>
Profit before taxation						<u>1,901,702</u>

Note: Segment profit was arrived after the deduction of research and development expenditures amounted to RMB446,800,000 including RMB134,821,000, RMB30,795,000 and RMB281,184,000 incurred respectively in the three reportable segments of intermediate products, bulk medicine and finished products, for the six months ended 30 June 2024.

##### For the six months ended 30 June 2023 (Unaudited)

	Intermediate <u>products</u> RMB'000	Bulk <u>medicine</u> RMB'000	Finished <u>products</u> RMB'000	Segments <u>total</u> RMB'000	<u>Elimination</u> RMB'000	<u>Consolidated</u> 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 (Note)	<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 of other receivables under expected credit loss model, net of reversal						(374)
Finance costs						<u>(38,736)</u>
Profit before taxation						<u>1,612,155</u>

Note: Segment profit was arrived after the deduction of research and development expenditures amounted to RMB338,678,000, including RMB66,554,000, RMB108,169,000 and RMB163,955,000 incurred respectively in the three reportable segments of intermediate products, bulk medicine, and finished products, for the six months ended 30 June 2023.

### 3. REVENUE AND SEGMENT INFORMATION - Continued

#### (b) Geographical Information

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
The People's Republic of China ("PRC"), including Hong Kong (country of domicile)	<b>5,748,478</b>	5,544,083
Europe	<b>411,566</b>	431,526
India	<b>376,958</b>	331,769
Middle East	<b>36,418</b>	26,046
South America	<b>170,105</b>	170,335
Other Asian regions	<b>318,585</b>	308,142
Other regions	<b>113,694</b>	94,623
	<b><u>7,175,804</u></b>	<b><u>6,906,524</u></b>

### 4. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Bank interest income	<b>57,599</b>	51,432
Sales of scrap materials	<b>5,073</b>	2,576
Subsidy income (Note)	<b>100,709</b>	34,809
Sundry income	<b>6,634</b>	3,674
	<b><u>170,015</u></b>	<b><u>92,491</u></b>

Note: Subsidy income includes tax subsidy and 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 in respect of Covid-19-related subsidies and entire amount relates to Employment Support Scheme provided by the Hong Kong government. The Group did not recognise any government grant in respect of Covid-19-related subsidies during the current period.

5. OTHER GAINS AND LOSSES, NET

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net foreign exchange gain	30,773	50,682
Net gain on fair value change of derivative financial instruments (Note)	70,815	24,231
Gain on disposal of financial assets at fair value through profit or loss	29,626	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	(441)	(2,330)
Written-off of property, plant and equipment	(88,329)	(56,087)
Others	(486)	(768)
	<u><b>41,958</b></u>	<u><b>52,472</b></u>

Note: During the six-month period ended 30 June 2023, 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. The Group entered into several foreign currency forward contracts with banks in six-month period ended 30 June 2024. These derivatives were not accounted for under hedge accounting. There were no outstanding derivative financial instruments held by the Group as at 30 June 2024 (31 December 2023: three).

6. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on borrowings	31,269	44,288
Interest on lease liabilities	400	260
	<u><b>31,669</b></u>	<u><b>44,548</b></u>
Less: amounts capitalised in property, plant and equipment	<u><b>(6,497)</b></u>	<u><b>(5,812)</b></u>
	<u><b>25,172</b></u>	<u><b>38,736</b></u>

Borrowing costs capitalised during the current interim period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.87% (six months ended 30 June 2023: 4.28%) per annum to expenditure on qualifying assets.



7. TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax		
Hong Kong profits tax	<b>1,189</b>	-
PRC enterprise income tax ("EIT")	<b>336,336</b>	256,986
PRC withholding tax on interest income	-	3,594
PRC withholding tax on distributed profits of PRC subsidiaries	-	9,785
	<u><b>337,525</b></u>	<u>270,365</u>
Deferred tax charge	<u><b>73,182</b></u>	<u>57,550</u>
Tax expense	<u><b>410,707</b></u>	<u>327,915</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated 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 2024 and 31 December 2023, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

During the six months ended 30 June 2024 and 2023, there is no unused tax losses of PRC subsidiaries for both periods but tax loss of RMB627,000,000 (six months ended 30 June 2023: RMB551,000,000) of Hong Kong subsidiaries. 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.

8. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period has been arrived at after charging:		
Staff costs, including directors' emoluments		
Salaries and other benefits	<b>836,146</b>	704,842
Contributions to retirement benefit schemes	<b>55,261</b>	64,926
Share-based compensation expense	<b>25,436</b>	-
	<b>916,843</b>	769,768
Depreciation		
Depreciation of right-of-use assets	<b>8,013</b>	5,468
Depreciation of property, plant and equipment	<b>288,284</b>	288,665
Amortisation of intangible assets (included in cost of sales)	<b>8,772</b>	8,766
Write-down of inventories, net (included in cost of sales)	<b>6,214</b>	5,292
Cost of inventories recognised as expenses	<b>3,831,439</b>	3,693,226

9. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(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	<b>1,491,404</b>	<b>1,284,496</b>
	<b>1,817,027</b>	1,817,027
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,817,027</b>	1,817,027

No diluted earnings per share for the six months ended 30 June 2024 and 2023 were presented as there were no potential ordinary shares in issue for both periods.

## 10. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Dividends for ordinary shareholders of the Company recognised as distribution during the period		
- 2023 final dividend RMB28 cents (2023: 2022 final dividend RMB14 cents) per share	<b>508,767</b>	254,384
- 2023 special dividend RMB12 cents (2023: 2022 special dividend RMB6 cents) per share	<b>218,044</b>	109,021
	<b><u>726,811</u></b>	<u>363,405</u>

The 2023 final dividend and special dividend were paid on 24 July 2024.

Subsequent to the end of the reporting period, the Board declared an interim dividend of RMB16 cents (six months ended 30 June 2023: RMB12 cents) per ordinary share, in an aggregate amount of RMB290,724,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB218,043,000).

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred approximately RMB741,061,000 (six months ended 30 June 2023: RMB395,085,000) on addition of 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 2024.

During the current interim period, the Group disposed of and written off of certain plant and machinery with an aggregate carrying amount of RMB90,454,000 (six months ended 30 June 2023: RMB60,665,000) for cash proceeds of RMB1,684,000 (six months ended 30 June 2023: RMB2,248,000), resulting in a loss on disposal of RMB441,000 (six months ended 30 June 2023: RMB2,330,000) and written-off of RMB88,329,000 (six months ended 30 June 2023: RMB56,087,000).

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

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Trade receivables from contracts with customers	2,520,903	2,378,638
Less: allowance for credit losses	(51,109)	(12,459)
Banker's acceptance bills receivables	2,569,683	3,496,731
Less: allowance for credit losses	(348)	(193)
Consideration receivables	339,574	339,574
Less: allowance for credit losses	(339,574)	(339,574)
Value-added tax receivables	125,900	141,454
Other receivables, deposits and prepayments	290,483	316,253
Less: allowance for credit losses	(5,895)	(5,944)
	<u><u>5,449,617</u></u>	<u><u>6,314,480</u></u>

The Group normally allows a credit period of ranging from 45 days to 120 days (31 December 2023: from 45 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 have a general maturity period of between 90 days and 1 year (31 December 2023: between 90 days and 1 year).

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on dates of transferring control of the goods, and an analysis of banker's acceptance 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 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Trade receivables from contracts with customers		
0 to 30 days	917,140	920,770
31 to 60 days	618,507	617,185
61 to 90 days	434,315	316,779
91 to 120 days	223,008	237,530
121 to 180 days	191,192	201,745
Over 180 days	85,632	72,170
	<u><u>2,469,794</u></u>	<u><u>2,366,179</u></u>
Banker's acceptance bills receivables		
0 to 30 days	594,783	695,328
31 to 60 days	326,411	581,264
61 to 90 days	466,716	628,692
91 to 120 days	457,204	631,535
121 to 180 days	712,836	875,400
Over 180 days	11,385	84,319
	<u><u>2,569,335</u></u>	<u><u>3,496,538</u></u>

### 13. TRADE AND OTHER PAYABLES

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

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Trade payables		
0 to 90 days	1,221,977	1,906,603
91 to 180 days	707,180	323,501
Over 180 days	9,305	8,048
	<u>1,938,462</u>	<u>2,238,152</u>
Trade payables under supplier finance arrangement (note 1)		
0 to 90 days	1,033,501	1,021,012
91 to 180 days	499,768	960,917
Over 180 days	84,060	-
	<u>1,617,329</u>	<u>1,981,929</u>
Other payables and accruals	345,105	485,088
Other tax payable	250,768	143,899
Refund liabilities (note 2)	19,569	-
Accrual of freight expense	54,369	78,729
Accrual of salary, staff welfare and unclaimed annual leave	152,487	214,411
Accrual of water, electricity fee and steam	324,359	345,045
Deferred income in respect of government grants	64,480	73,585
Payables in respect of the acquisition of property, plant and equipment	609,415	524,050
	<u>5,376,343</u>	<u>6,084,888</u>
Less: Amount due within one year shown under current liabilities	<u>(5,349,152)</u>	<u>(6,052,651)</u>
Amount shown under non-current liabilities	<u>27,191</u>	<u>32,237</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 PRC's centralised procurement of pharmaceuticals announced in April 2024 and was effective in May 2024.

#### 14. CAPITAL COMMITMENTS

As at 30 June 2024, the Group had commitments for capital expenditure of RMB1,644,560,000 (31 December 2023: RMB989,055,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

#### 15. PLEDGE OF 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 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Property, plant and equipment	22,440	22,440
Right-of-use assets	37,739	38,354
Banker's acceptance bills receivables	604,297	1,011,689
Pledged bank deposits	<u>767,077</u>	<u>972,249</u>

##### Restrictions on assets

In addition, lease liabilities of RMB17,120,000 (31 December 2023: RMB6,831,000) are recognised with related right-of-use assets of RMB16,336,000 (31 December 2023: RMB5,961,000) as at 30 June 2024. 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.

#### 16. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended 30 June 2024 RMB'000 (Unaudited)</b>	2023 RMB'000 (Unaudited)
Fees	357	286
Salaries and other benefits	9,627	9,300
Contributions to retirement benefits schemes	<u>50</u>	<u>44</u>
	<u>10,034</u>	<u>9,630</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND FINANCIAL RESULTS

In the first half of 2024, uncertainties surrounding global economic recovery intensified, growth momentum weakened, and the external environment became increasingly complex and challenging. The Chinese economy has withstood external pressure, picked up, and maintained overall stability, and the economic fundamentals that will sustain long-term growth remained unchanged.

The Group has maintained a strong business development momentum, with excellent sales performance in all segments, smooth progress in new drug research and development, and steady promotion in production capacity construction, achieving satisfactory results overall. For the six months ended 30 June 2024 (the “Period”), the Group recorded revenue of RMB7,175.8 million, an increase of 3.9% as compared with the same period last year. EBITDA was RMB2,231.9 million, representing a year-on-year increase of 14.2%. Profit attributable to owners of the Company was RMB1,491.4 million, representing a year-on-year increase of 16.1%. Earnings per share were RMB82.08 cents. The Board recommended the payment of an interim dividend of RMB16 cents per share for the six months ended 30 June 2024 (the six months ended 30 June 2023: RMB12 cents per share). Interim dividend payout ratio was 19.5%, representing a year-on-year increase of 2.5 percent points.

During the Period, segmental revenue (including inter-segment sales) of intermediate products, bulk medicine and finished products was RMB3,081.3 million, RMB3,917.6 million and RMB2,397.8 million respectively, representing an increase of 14.5%, an increase of 1.8% and a decrease of 1.6% respectively as compared with the same period in the previous year. Segmental profit of intermediate products, bulk medicine and finished products amounted to RMB1,068.5 million, RMB522.0 million and RMB241.2 million respectively, representing an increase of 31.2%, an increase of 22.0% and a decrease of 20.6% respectively as compared to last corresponding period.

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

#### **Intermediate Products and Bulk Medicine**

During the Period, the intermediate products and bulk medicine segment recorded external sales of RMB1,314.0 million and RMB3,464.1 million, respectively, representing a year-on-year increase of 25.4% and 1.2%, respectively. Overseas export recorded sales of RMB1,427.3 million, representing a year-on-year increase of 4.8%, and accounting for 19.9% of total revenue of the Group. Production costs in upstream sectors continued to improve, further highlighting the advantages of the industry chain. The Group continued to hold a leading position in the domestic and export markets for intermediate products and bulk medicine.

In April, Inner Mongolia Guangda Lianfeng Biotechnology Co., Ltd. (內蒙古光大聯豐生物科技有限公司), a wholly-owned subsidiary of the Group, held the groundbreaking ceremony for its bio-based long chain dicarboxylic acids new material project. This marks a new chapter for the Group to further optimize its industrial structure and embark on a journey of transformation and upgrading in the upstream sector. It also demonstrates our commitment to actively responding to national science and technology development strategies, and accelerating diversified technological innovation and industrial advancement. In addition, the construction of our Zhuhai United Laboratories (Gaolan Port) API Project, which commenced in November 2023, progressed smoothly with topping out of multiple workshop buildings.

During the first half of the year, the Group participated in the “90th China International Active Pharmaceutical Ingredients/Intermediates/Packaging/Equipment Trading Fair (API China)” and the “22nd World Pharmaceutical Ingredients China Exhibition (CPHI China)”. Our sales team engaged in fruitful discussions with existing and potential partners to strengthen collaborative ties during the exhibition. With a strong foothold in China and a global vision, the Group will keep the commitment to building a world-leading producer of antibiotic bulk medicine.

## **Finished Products**

During the Period, the sales of finished products was RMB2,397.8 million, representing a year-on-year decrease of 1.6%.

Diabetes series recorded a total gross sales revenue of RMB545.5 million, representing a year-on-year increase of 9.5%. Among that, human insulin recorded gross sales revenue of RMB218.9 million; insulin analogues recorded gross sales revenue of RMB326.6 million. The sales volume of insulin analogues maintained a rapid growth. In April 2024, all insulin products of the Group won the bidding as Category A in the National Centralised Procurement of Pharmaceuticals (specialising renewal in insulin). Compared with the Sixth National Centralised Procurement of Pharmaceuticals (specialising in insulin), the basic purchasing volume has increased significantly by 52.5%. At the same time, all the Group's bidding products in category A will obtain allocated remaining volume. This bid-winning is expected to expand our sales, and enhance our market share for insulin products. It will also further improve the affordability of diabetes series, ultimately benefiting a wider range of patients.

During the Period, the Group established a Healthcare Products Division. We have already laid out four major product lines: general dietary supplements, cross-border nutritional supplements, health foods, and medical devices and the existing products cover categories such as bone and joint nutrition, intestinal regulation, cardiovascular health, vision protection and immunity enhancement. Embracing an "omni-channel, all fields, and all people" strategy, we not only developed offline channels but also rapidly expanded our presence on e-commerce platforms, live streaming platforms, and new retail platforms. Leveraging technology to drive health trends, the Group is committed to continuously establishing iconic brands in the health consumption sector.

During the Period, the animal healthcare business recorded sales revenue of RMB671.4 million, representing a year-on-year increase of 25.7%. In March 2024, the Group signed a partnership agreement with New Zealand Riverland Foods Ltd., a pet food manufacturer in New Zealand. This collaboration marks our entry into the premium pet food market and will bring high-quality prescription wet food from New Zealand to China. It also signifies the expansion of our veterinary drugs business into international market.

New bases of animal healthcare are under smooth construction. Commissioning is underway for workshops at new plant of The United Animal Healthcare (Inner Mongolia). Structural construction of multiple workshops of Zhuhai United Animal Healthcare Co., Ltd. has been completed. The main structural construction of facility at Henan Lianmu Veterinary Medicine Co., Ltd. has been completed, and work is underway on supporting infrastructure and other facilities.

## **Progress of Research and Development**

During the Period, the Group invested a total of RMB479.4 million in R&D, with a year-on-year increase of 36.9% in R&D expenses, including expensed R&D investment of RMB446.8 million and capitalisation R&D expenditure of RMB32.6 million. The Group has established a comprehensive R&D system characterised by collaborative development among multiple platforms such as biological R&D, chemical drug R&D, innovative drug R&D, animal healthcare R&D, clinical research and external cooperation. The Group has 44 human use new products under development, of which 19 products are class-I new drugs, focusing on endocrine, metabolism, autoimmune, ophthalmology, anti-infection and other fields. There are a total of 60 new products under development in animal healthcare, covering pets, livestock, poultry and aquatic products. In addition, projects such as quality and efficacy consistency evaluation of generic drugs ("consistency evaluation"), medical aesthetics and pharmaceutical excipients are also progressing steadily.



During the Period, the Group made the following major progress in R&D of human use drugs:

- In January, the first subject was enrolled in the phase II clinical trial of **TUL01101 Tablets**, a class-I new drug, for indications of medium and severe atopic dermatitis. TUL01101 Tablets is a selective inhibitor of the small molecule tyrosine kinase JAK1. JAK inhibitor as a new type of therapeutic agent for atopic dermatitis is featured with outstanding curative efficacy and less side effects.
- In January, **Imipenem and Cilastatin Sodium for Injection** (specifications: 0.5g, 1.0g) passed the consistency evaluation. Imipenem and Cilastatin Sodium for Injection is a broad spectrum antibiotic. Clinical use is particularly indicated for mixed infections due to multiple pathogens and aerobic/anaerobic bacteria, and for early treatment before the pathogen is identified. Currently, Imipenem and Cilastatin Sodium is a Class B drug in the National Medical Insurance Drug List (2023 version).
- In February, the class-I new drug, **TUL12101 Eye Drops**, completed phase I clinical trials. TUL12101 is a new generation of small molecule RASP (active aldehyde) inhibitor for the treatment of xerophthalmia. TUL12101 rapidly reduces the level of active aldehydes in the eye, alleviates inflammatory response, breaks the vicious cycle of inflammation, and achieves the purpose of treating xerophthalmia. At present, there are no other products with the same mechanism launched at home and abroad.
- In April, **Amoxicillin and Clavulanate Potassium Tablets** (specification: 0.375g) passed the consistency evaluation. Amoxicillin and Clavulanate Potassium Tablets is a penicillin-based broad-spectrum antibiotic commonly used clinically for the treatment of bacterial infections such as respiratory tract infections, skin and soft tissue infections, and urinary tract infections.
- In May, the first subject was enrolled in the phase II clinical trial of **TUL01101 Ointment**, a class-I new drug. TUL01101 Ointment is a topically administered, locally acting JAK1 inhibitor that avoids potential safety concerns associated with exposure to the drug system and demonstrates improved clinical utility.
- In May, the phase III clinical trial summary meeting of **Semaglutide Injection** (diabetes indication) was successfully held, with over 70 experts in endocrine metabolism, statistics and quality management in attendance.
- In June, the first subject of phase III clinical trial of **Insulin Degludec and Liraglutide Injection** were enrolled. Insulin Degludec and Liraglutide Injection is used in adult Type 2 diabetes patients with poor blood glucose control. It can effectively control blood glucose throughout the day at the dosage of one injection per day.

### Optimising Financial Structure

In terms of finance, the Group continuously optimised its financial structure to improve liquidity by adjusting the mix of onshore and offshore borrowings, balancing long-term and short-term borrowings to reduce the finance expenses and enhance financial flexibility and efficiency in the utilisation of funds and maintain robust financial position. During the Period, the finance costs of the Group were approximately RMB25.2 million, representing a year-on-year decrease of 35.0%. As at 30 June 2024, the Group's net bank balances and cash (after deducting borrowings and trade payables under supplier finance arrangement) amounted to RMB3,265.1 million. The Group has used Renminbi as the main borrowing currency to reduce the risk of exchange rate fluctuation and finance costs. The Group has secured several long-term project loans for financing of its capital expenditures.

### Liquidity and Financial Resources

As at 30 June 2024, the Group had pledged bank deposits, cash and bank balances amounted to RMB7,321.9 million (31 December 2023: RMB5,234.2 million).

As at 30 June 2024, the Group had interest-bearing borrowings of approximately RMB2,439.4 million (31 December 2023: RMB1,496.9 million) denominated in Renminbi with maturity within five years. Borrowings of approximately RMB420.0 million (31 December 2023: RMB23.9 million) are fixed rates loans while the remaining balance of approximately RMB2,019.4 million (31 December 2023: RMB1,473.0 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 2024, current assets of the Group amounted to approximately RMB15,147.7 million (31 December 2023: RMB13,787.2 million). Net current assets increased from RMB7,160.5 million as at 31 December 2023 to RMB7,733.5 million as at 30 June 2024. The Group's current ratio was approximately 2.04 as at 30 June 2024 as compared with 2.08 as at 31 December 2023. As at 30 June 2024, the Group had total assets of approximately RMB22,826.1 million (31 December 2023: RMB21,017.2 million) and total liabilities of approximately RMB9,252.2 million (31 December 2023: RMB8,269.6 million). Equity attributable to shareholders of the Company increased from RMB12,734.8 million at 31 December 2023 to RMB13,525.5 million at 30 June 2024. As at 30 June 2024, the Group's net cash and bank balances (after deducting borrowings and trade payables under supplier finance arrangement) amounted to RMB3,265.1 million (31 December 2023: RMB1,755.5 million).

### **Contingent Liabilities**

As at 30 June 2024 and 31 December 2023, 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 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 2024, the Group had approximately 15,000 (31 December 2023: 15,000) 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.

### **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. The Chengdu Intermediate People's Court heard the case on 6 June 2023 and handed down the judgement dated 28 December 2023 allowing the Group's claim of approximately RMB136.3 million but rejecting other claims of the Group. The Group has appealed to the Sichuan Province Higher People's Court against the judgement. The Company will make further announcement(s) on the progress of the appeal as and when appropriate.

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

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

Keeping the corporate objective of “Making Life More Valuable” in mind, the Group has always incorporated the concept of sustainable development into its business operations and decision-making. The Group actively fulfils its social responsibilities by sparing no effort in supporting education, disaster relief, community care, etc. Meanwhile, the Group remains committed to the national policy of green and sustainable development. To that end, the Group endeavors to promote industrial upgrading for the sake of facilitating its green and low-carbon development and restructuring.

During the Period, United Laboratories (Inner Mongolia) Limited (“Inner Mongolia Company”) formally commenced phase I of the salt fractionation and acid-alkali conversion project and the biogas incineration waste heat recovery and utilisation project. The Inner Mongolia Company took the lead in launching a zero-discharge water reuse project in 2019, which is currently the largest zero-discharge project in the pharmaceutical industry in China, setting a precedent for zero-discharge of wastewater in the pharmaceutical industry. Since then, the Inner Mongolia Company has carried out in-depth research on the utilisation of solid waste resources, and successfully developed the technology for highly concentrated water salt and acid-alkali reuse, which effectively recycles solid waste salt from the zero-discharge system and thus achieves a win-win situation in terms of environmental protection and economic benefits. The biogas incineration waste heat recovery project adopts a new solid waste disposal technology to ensure efficient utilisation of biogas and adequate combustion of solid waste. Upon implementation of the project, it is expected to reduce solid waste generation by about 6,600 tonnes, save natural gas consumption by nearly 10 million square metres and reduce carbon dioxide emissions by about 45,000 tonnes per annum. Following the concept of reuse and recycling economy, the project produces significant ecological and economic benefits.

In addition, the Inner Mongolia Company and Beijing Zhongdinghengye Science and Technology Co., Ltd. have reached a strategic cooperation on energy saving and carbon reduction, pursuant to which the parties will cooperate in the iterative upgrading of high-energy-consuming equipment, upgrading of waste-salt resource utilisation technology, utilisation of residual heat resources, optimisation of energy layout, and prospective layout of new-quality energy stations. This is of great significance in energy saving and consumption reduction, and environment-friendly governance across the entire industrial chain of the Group.

## **OUTLOOK**

*The Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernization* adopted at the third plenary session of the 20th Central Committee of the Communist Party of China, which was held in July 2024, proposes further comprehensive deepening of medical reforms. It calls for promoting coordinated development and governance of medical services, medical insurance, and pharmaceuticals, doing more to increase the availability of quality medical resources and see that such resources are more evenly distributed in order to push forward high-quality development of the healthcare sector. In addition, the General Office of the State Council issued a notice on *Key Tasks for Deepening the Reform of the Medical and Healthcare Systems in 2024*. It calls for improving and expanding centralized procurement of drugs, optimizing drug utilization and management, deepening reforms of drug evaluation and approval systems, and improving drug supply security mechanism. This series of measures underscores China’s determination to deepen the reform of medical and healthcare systems, and will drive continuous optimisation of the industry structure.

In the context of the deepening reform of the medical and health system, the Group will consolidate its core industrial advantages, further strengthen the vertically integrated industrial layout and continue to improve the strength of scientific research and innovation. Meanwhile, we will constantly optimise the diversified business presence and allocation of resources, in order to achieve sustainable development in the long term. 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, and strive to create more value for shareholders and the society.

## **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 2024.

## **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 2024.

## **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 2024, 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 2024, the Company did not have a chief executive officer. The Company will make appointment to fill the post as appropriate.

## **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 2024. 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, 23 September 2024 and Tuesday, 24 September 2024 on which no transfer of shares will be registered. In order to qualify for the interim dividend (record date being 24 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, 20 September 2024.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my gratitude to our shareholders and partners for their full trust and support, 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 2024

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