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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)

2022 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	2022	2021	Increase
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	11,334,262	9,703,438	16.8%
EBITDA	2,640,792	1,883,735	40.2%
Profit before taxation	2,006,766	1,202,647	66.9%
Profit for the year attributable to owners of the Company	1,581,094	988,098	60.0%
	<i>RMB cents</i>	<i>RMB cents</i>	
Earnings per share - Basic	86.89	53.70	61.8%
Dividend per share			
- Interim dividend	5.0	4.0	25.0%
- Final dividend	14.0	8.0	75.0%
- Special dividend	6.0	2.0	200.0%
- Full-year dividend	25.0	14.0	78.6%

CHAIRMAN’S STATEMENT

Dear shareholders and partners:

In 2022, China’s macro economy was facing multiple downward pressures due to the recurrent pandemic outbreaks. However, thanks to China’s efforts to optimise and adjust its epidemic prevention and control policies, China has seen resumption of work and normal life, and witnessed an accelerated recovery of demands for medical treatment and medical consumption.

Based on the population data of the year, China experienced the first negative population growth in nearly sixty-one years, and the ageing population will bring huge medical demand. It is difficult to overstate the importance of deepening the reform of medicine and healthcare system to reduce the costs of patients for access to healthcare and medicines. As part of the reform, China commenced the fifth round of adjustment to the National Medical Insurance Drug List during the year, and successfully completed the seventh batch national centralised drug procurement, which greatly improved the accessibility and affordability of high-quality pharmaceutical products. With the continuous optimisation of the pharmaceutical industry pattern and the continuous deepening of industrial upgrading, the long-term positive trend of industry development remains unchanged.

REVIEW OF 2022

During the year, we overcome the impact of the COVID-19 pandemic and achieved satisfactory operating results thanks to our active efforts to promote R&D, production and supply, and sales services. On behalf of the board of directors (the “Board”) of The United Laboratories International Holdings Limited (the “Company” or “The United Laboratories”), I am pleased to present to our shareholders and partners the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 (the “Year”).

In 2022, the Group recorded revenue of approximately RMB11,334.3 million, representing an increase of approximately 16.8% year-on-year. Profit attributable to owners of the Company was RMB 1,581.1 million, representing a year-on-year increase of 60.0%. Earnings per share were RMB86.89 cents. The Board recommended the payment of a final dividend of RMB14 cents per share and a special dividend of RMB6 cents per share for the year ended 31 December 2022.

Accelerating R&D and innovation

In 2022, the Group’s investment in R&D amounted to RMB593.6 million, representing a year-on-year increase of 27.6%. Significant progress was made in R&D of drugs for diabetes, ophthalmology and other diseases. In response to the requirement of accelerating the development of biomedicine under the “14th Five-Year Plan” and the Long-Range Objectives through the Year 2035 of China, the Group established The United Bio-Technology (Hengqin) Co., Ltd. and settled in Traditional Chinese Medicine Science and Technology Industrial Park of Cooperation between Guangdong and Macao (粵澳合作中醫藥科技產業園). Relying on the professional platform resources, we will accelerate the R&D of high-end biological drugs for chronic diseases, enrich our pipeline with new drugs for energy metabolism, inflammation and autoimmune diseases, and strengthen international cooperation and project introduction. Through its increasingly mature R&D platform for innovative chemical drugs, the Group has initiated R&D of numerous new drugs such as those for autoimmune diseases and ophthalmology as well as high-end anti-infective drugs, and actively expanded the exchange and cooperation with leading domestic and foreign R&D platforms. As innovation is the fundamental driving force for our development, we will efficiently promote the research, development and marketing of new drugs, expand the fields of drug research, foster greater global outlook, and improve the high-end talent team in order to continuously enhance our competitiveness and creativity.

Highlights in pharmaceuticals for human use segment

In 2022, the Group reached another record high in its performance of intermediates and bulk medicines as our upstream businesses. Overall, they have shown a good momentum of rapid growth within China and balanced development internationally among various regions. In the future, we will continue to promote our brand strategy, accelerate market development and commercialisation, expand external cooperation, achieve product and business diversification, and establish differentiated competitive advantages to promote the return of upstream business value.

With the implementation of the sixth batch national centralised drug procurement (specialising in Insulin), the sales volume of the Group's insulin series products maintained steady growth. We will continue to explore growth potential and drive effective growth of insulin products from multiple dimensions such as market, academic knowledge and product to promote the growth of insulin business, thus further benefiting diabetes patients. The Group will take several measures to ensure the rapid and healthy development of our preparation business, including improving sales team management, growing talent pipeline and upgrading the facilities of the finished production line to improve the industrialisation capability in an all-round way.

Rapid rise of animal healthcare segment

Drugs for animal healthcare play an important role in preventing animal diseases and improving breeding efficiency. On 1 June 2022, the Good Manufacturing Practise for Veterinary Drugs (Revision 2020) (the "New GMP for Veterinary Drugs") was officially implemented, marking that standards are further enhanced and regulations are further intensified in China's veterinary drug industry. The stricter regulations and accelerated systematic upgrading in the industry will lead to optimised market competition landscape, which will in turn bring new opportunities for the development of the Group's animal healthcare business. Leveraging on the Group's advantages in brand and industrial aspects, the Group witnessed rapid growth of its animal healthcare business during the year, and achieved fruitful results in promotion of new product, market development and strategic cooperation. Adhering to the principle of "ensuring animal health and protecting human safety", we will continue our efforts to promote the development of animal healthcare business with a view to developing a leading brand of drugs for animal healthcare.

FULFILLING SOCIAL RESPONSIBILITY

Our efforts in sustainability have been widely recognised in the industry. MSCI affirmed our ESG rating at grade A, which is an industry-leading rating. We also received honors in several ESG-related assessments. The Group doubled its efforts to build green factories in order to contribute to China's goals of "carbon emission peaking" and "carbon neutrality". We also give back to the society with concrete actions such as public welfare activities in various fields like education, anti-epidemic, poverty alleviation and community care. The Group is committed to promoting the development of the pharmaceutical industry and making positive contributions to improving accessibility and affordability of medicines. Keeping the corporate objective of "Making Life More Valuable" in mind, the Group will improve corporate governance, fulfill social responsibilities, and work together with all stakeholders to create a green, healthy, friendly, efficient and sustainable social ecosystem.

OUTLOOK

In 2023, the global economy will face greater downward pressure with persistent uncertainties. Amid the challenging external environment, China's economic vitality will be fully released with the optimisation of domestic epidemic control policies. In this context, pharmaceutical industry will enter an accelerated recovery and break new ground in development. Leveraging the opportunities arising from development and reform China's pharmaceutical and healthcare industry, the Group will take a policy-oriented approach to consolidate the advantages of its core industries in order to drive our development through scientific research and innovation. Looking ahead, the Group is confident that it will keep consolidating and enhancing its position and influence in the pharmaceutical industry in China amid the wave of changes in the industry, so as to create more value for shareholders and the society.

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 in 2022, as well as to our staff for their hard work and contributions. I hope we can join hands and create a better future together.

Tsoi Hoi Shan
Chairman

Hong Kong, 21 March 2023

2022 ANNUAL RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022 together with the comparative figures for the year 2021 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	3	11,334,262	9,703,438
Cost of sales		(6,365,272)	(5,492,391)
Gross profit		4,968,990	4,211,047
Other income	4	165,817	155,879
Other gains and losses, net	5(a)	(88,571)	19,256
Selling and distribution expenses		(1,662,435)	(1,633,456)
Administrative expenses		(703,354)	(698,335)
Other expenses	5(b)	(603,615)	(494,954)
Impairment losses reversed (recognised) under expected credit loss model, net		11,718	(296,559)
Share of results of an associate		(189)	-
Finance costs	6	(81,595)	(60,231)
Profit before taxation		2,006,766	1,202,647
Tax expense	7	(425,743)	(213,062)
Profit for the year	8	1,581,023	989,585
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,427	475
Total comprehensive income for the year		1,582,450	990,060
Profit (loss) for the year attributable to:			
Owners of the Company		1,581,094	988,098
Non-controlling interests		(71)	1,487
		1,581,023	989,585
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		1,582,521	988,573
Non-controlling interests		(71)	1,487
		1,582,450	990,060
Earnings per share	10	RMB cents	<i>RMB cents</i>
- Basic		86.89	53.70

**Consolidated Statement of Financial Position
At 31 December 2022**

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	11	5,932,295	5,842,295
Right-of-use assets		255,586	227,174
Goodwill		3,031	3,031
Intangible assets		100,338	119,826
Interests in an associate		7,161	-
Deposit for acquisition of land use rights		7,262	7,262
Deposits for acquisition of property, plant and equipment		78,476	61,917
Financial asset at fair value through profit or loss		500	500
Deferred tax assets		80,030	82,782
		<u>6,464,679</u>	<u>6,344,787</u>
Current assets			
Inventories		2,163,626	2,004,029
Trade and bills receivables, other receivables, deposits and prepayments	12	4,911,704	3,799,905
Derivative financial instruments		1,841	-
Other pledged deposits		-	24,000
Pledged bank deposits		694,704	827,389
Cash and cash equivalents		4,743,071	3,331,009
		<u>12,514,946</u>	<u>9,986,332</u>
Current liabilities			
Trade and other payables	13	5,317,876	4,699,608
Contract liabilities		132,484	107,955
Derivative financial instrument		10,087	5,812
Lease liabilities		3,744	3,871
Tax payables		209,478	108,094
Borrowings - due within one year		1,359,358	1,609,906
		<u>7,033,027</u>	<u>6,535,246</u>
Net current assets		<u>5,481,919</u>	<u>3,451,086</u>
Total assets less current liabilities		<u>11,946,598</u>	<u>9,795,873</u>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current liabilities			
Deferred tax liabilities		194,069	172,309
Deferred income in respect of government grants	13	43,413	55,319
Lease liabilities		3,896	7,125
Borrowings - due after one year		1,095,789	221,212
		<u>1,337,167</u>	<u>455,965</u>
		<u>10,609,431</u>	<u>9,339,908</u>
Capital and reserves			
Share capital		16,965	17,125
Reserves		10,591,121	9,323,367
		<u>10,608,086</u>	<u>9,340,492</u>
Equity attributable to owners of the Company		10,608,086	9,340,492
Non-controlling interests		1,345	(584)
		<u>10,609,431</u>	<u>9,339,908</u>
Total equity		<u>10,609,431</u>	<u>9,339,908</u>

Notes:

1. General information

The United Laboratories International Holdings Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The Company’s parent company and ultimate holding company is Heren Far East Limited, a company incorporated in the British Virgin Islands and is ultimately controlled by The Choys’ Family Trusts. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is located at 6 Fuk Wang Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong.

The consolidated financial statements are presented in Renminbi (“RMB”) which is also the functional currency of the Company and most of its subsidiaries (the “Group”), the currency of the primary economic environment in which the principal subsidiaries of the Company operate.

2. Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“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 consolidated financial statements:

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

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

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

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

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.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

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 year has had no impact on the Group's consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

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.

(a) Segment revenue and results

Year ended 31 December 2022

	Intermediate products RMB '000	Bulk medicine RMB '000	Finished products RMB '000	Segment total RMB '000	Elimination RMB '000	Consolidated RMB '000
REVENUE						
External sales	1,599,205	5,174,726	4,560,331	11,334,262	-	11,334,262
Inter-segment sales	2,718,504	870,178	-	3,588,682	(3,588,682)	-
Segment revenue	<u>4,317,709</u>	<u>6,044,904</u>	<u>4,560,331</u>	<u>14,922,944</u>	<u>(3,588,682)</u>	<u>11,334,262</u>
RESULT						
Segment profit	<u>918,762</u>	<u>385,722</u>	<u>796,191</u>			2,100,675
Share of results of an associate						(189)
Unallocated other income						104,125
Unallocated corporate expenses						(97,343)
Unallocated other gains and losses, net						(22,378)
Impairment losses reversed under expected credit loss model, net						3,471
Finance costs						<u>(81,595)</u>
Profit before taxation						<u>2,006,766</u>

Year ended 31 December 2021

	Intermediate products RMB '000	Bulk medicine RMB '000	Finished products RMB '000	Segment total RMB '000	Elimination RMB '000	Consolidated RMB '000
REVENUE						
External sales	1,700,337	3,968,575	4,034,526	9,703,438	-	9,703,438
Inter-segment sales	1,684,837	585,413	-	2,270,250	(2,270,250)	-
Segment revenue	<u>3,385,174</u>	<u>4,553,988</u>	<u>4,034,526</u>	<u>11,973,688</u>	<u>(2,270,250)</u>	<u>9,703,438</u>
RESULT						
Segment profit	<u>396,151</u>	<u>202,220</u>	<u>875,571</u>			1,473,942
Unallocated other income						147,311
Unallocated corporate expenses						(106,227)
Unallocated other gains and losses, net						41,799
Impairment losses under expected credit loss model, net of reversal						(293,947)
Finance costs						<u>(60,231)</u>
Profit before taxation						<u>1,202,647</u>

(b) Geographical information

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

	Revenue from external customers	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The People's Republic of China ("PRC"), including Hong Kong (country of domicile)	8,962,740	7,607,485
Europe	631,282	530,715
India	556,336	688,842
Middle East	48,294	27,844
South America	297,594	234,769
Other Asian regions	587,835	480,380
Other regions	250,181	133,403
	11,334,262	9,703,438

4. Other income

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	70,737	51,594
Sales of scrap materials	5,925	8,568
Imputed interest income from consideration receivables	-	31,186
Subsidy income (Note)	75,866	44,419
Sundry income	13,289	20,112
	165,817	155,879

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

5. Other gains and losses, net/other expenses

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(a) Other gains and losses, net		
Net gain on fair value change of derivative financial instruments (Note)	(37,730)	(8,120)
Gain on disposal of financial assets at fair value through profit or loss	(17,973)	-
Write-down of deposits for property, plant and equipment	2,168	3,165
Net loss on disposal of property, plant and equipment	4,390	3,301
Written off of property, plant and equipment	78,176	16,080
Net foreign exchange loss (gain)	59,412	(34,550)
Others	128	868
	<u>88,571</u>	<u>(19,256)</u>
(b) Other expenses		
Research and development expenditures	593,598	465,243
Tax penalty	781	223
Land penalty	-	1,739
Others	9,236	27,749
	<u>603,615</u>	<u>494,954</u>

Note: During the years ended 31 December 2022 and 2021, the Group had entered into a cross currency interest rate swap 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 three (2021: one) outstanding derivative financial instruments held by the Group as at 31 December 2022.

6. Finance costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on borrowings	87,971	63,532
Interest on lease liabilities	570	697
	<u>88,541</u>	<u>64,229</u>
Less: amounts capitalised in the cost of qualifying assets	(6,946)	(3,998)
	<u>81,595</u>	<u>60,231</u>

Borrowing costs capitalised during the current year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.87% (2021: 2.61%) per annum to expenditure on qualifying assets.

7. Tax expense

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The tax charge comprises:		
Current tax		
PRC Enterprise Income Tax (“EIT”)	332,625	151,371
PRC withholding tax on interest income	7,316	4,536
PRC withholding tax on distributed profits of PRC subsidiaries	61,290	8,957
	<u>401,231</u>	<u>164,864</u>
Deferred tax charge	<u>24,512</u>	<u>48,198</u>
	<u>425,743</u>	<u>213,062</u>

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

No Hong Kong Profits Tax has been recognised as its subsidiaries incorporated Hong Kong had no assessable profits for both years, except a subsidiary had utilised the tax losses in the current year.

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 2022 and 2021.

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 31 December 2022 and 2021, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

8. Profit for the year

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Auditor's remuneration	4,704	4,583
Depreciation		
Depreciation of right-of-use assets	11,109	11,089
Depreciation of property, plant and equipment	521,834	593,150
Amortisation of intangible assets (included in cost of sales)	19,488	16,618
Staff costs, including directors' emoluments		
Salaries and other benefits	1,260,225	1,137,517
Contributions to retirement benefit schemes	136,781	119,654
	1,397,006	1,257,171
(Reversal of write-down) write-down of inventories, net (included in cost of sales)	(1,561)	2,003
Cost of inventories recognised as expenses	6,365,272	5,492,391

9. Dividends

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the current year		
- 2022 interim dividend RMB5 cents (2021: 2021 interim dividend RMB4 cents) per share	90,879	73,616
- 2021 final dividend RMB8 cents (2021: 2020 final dividend RMB8 cents) per share	145,406	147,231
- 2021 special dividend RMB2 cents (2021: nil) per share	36,351	-
	272,636	220,847

Subsequent to the end of the reporting period, a final dividend of RMB14 cents (2021: RMB8 cents) per ordinary share and a special dividend of RMB6cents (2021: RMB2 cents) per ordinary share in respect of the year ended 31 December 2022, in an aggregate amount of RMB363,405,000 (2021: RMB181,757,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. Earnings per share

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

Earnings

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings for the purposes of basic earnings per share being profit for the year attributable to owners of the Company	<u>1,581,094</u>	<u>988,098</u>

Number of shares

	2022 <i>'000</i>	2021 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,819,730</u>	<u>1,840,043</u>

No diluted earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

11. Property, plant and equipment

During the year ended 31 December 2022, the Group spent approximately RMB701,986,000 (2021: RMB326,961,000) on the acquisition of property, plant and equipment, in order to upgrade its manufacturing capabilities.

12. Trade and bills receivables, other receivables, deposits and prepayments

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from contracts with customers	2,110,751	1,624,198
Less: allowance for credit losses	(6,839)	(22,309)
Banker's acceptance bills receivables	2,360,224	1,821,768
Less: allowance for credit losses	(848)	-
Commercial bills receivables	18,909	-
Less: allowance for credit losses	(6,375)	-
Consideration receivables	339,574	339,574
Less: allowance for credit losses	(339,574)	(339,574)
Value added tax receivables	115,866	103,214
Other receivables, deposits and prepayments	326,512	283,001
Less: allowance for credit losses	(6,496)	(9,967)
	<u>4,911,704</u>	<u>3,799,905</u>

At 1 January 2021, gross carrying amount of trade receivables from contracts with customers amounted to RMB1,420,450,000.

The Group normally allows a credit period of 60 days to 120 days (2021: 60 days to 120 days) to its trade customers, and may be extended to selected customers depending on their trade volume and settlement with the Group. The banker's acceptance bills receivables and commercial bills receivables have a general maturity period of between 90 days and 1 year (2021: 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 and commercial bills receivables by age, net of allowance for credit losses, presented based on the bills issuance date, at the end of the reporting period:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from contracts with customers		
0 to 30 days	1,026,413	751,852
31 to 60 days	478,510	388,933
61 to 90 days	262,065	213,617
91 to 120 days	143,763	155,869
121 to 180 days	127,389	65,133
Over 180 days	65,772	26,485
	<u>2,103,912</u>	<u>1,601,889</u>
Banker's acceptance bills receivables		
0 to 30 days	574,224	291,709
31 to 60 days	430,013	411,219
61 to 90 days	323,647	314,599
91 to 120 days	410,900	214,863
121 to 180 days	591,962	557,658
Over 180 days	28,630	31,720
	<u>2,359,376</u>	<u>1,821,768</u>
Commercial bills receivables		
91 to 120 days	<u>12,534</u>	<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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables		
0 to 90 days	1,551,147	964,555
91 to 180 days	367,388	63,668
Over 180 days	51,820	43,744
	<u>1,970,355</u>	<u>1,071,967</u>
Trade payables under supplier finance arrangement (Note)		
0 to 90 days	779,384	1,377,132
91 to 180 days	808,685	761,576
	<u>1,588,069</u>	<u>2,138,708</u>
Other payables and accruals	485,992	402,368
Other tax payable	158,654	141,766
Accrual of freight expense	76,441	65,019
Accrual of salary, staff welfare and unclaimed annual leave	191,578	146,845
Accrual of water, electricity fee & steam	370,618	318,915
Deferred income in respect of government grants	95,859	111,397
Payables in respect of the acquisition of property, plant and equipment	<u>423,723</u>	<u>357,942</u>
	5,361,289	4,754,927
Less: Amount due within one year shown under current liabilities	<u>(5,317,876)</u>	<u>(4,699,608)</u>
Amount shown under non-current liabilities	<u>43,413</u>	<u>55,319</u>

Note: 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. In the consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.

14. Capital commitments

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>355,691</u>	<u>293,642</u>

15. Pledge of assets

Other than deposits and property, plant and equipment made to financing institutions with carrying amount of RMBNil and RMBNil (2021: RMB24,000,000 and RMB333,161,000) respectively as at 31 December 2022, 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	416,896	417,602
Rights-of-use assets	167,837	173,057
Banker's acceptance bills receivables	251,378	18,353
Pledged bank deposits	694,704	827,389

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Results

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB11,334.3 million, an increase of approximately 16.8% as compared with last year. Earnings before interest, tax, depreciation and amortisation was approximately RMB2,640.8 million, representing a year-on-year increase of 40.2%. Profit attributable to owners of the Company was RMB1,581.1 million, representing a year-on-year increase of 60.0%. Earnings per share were RMB86.89 cents. The Board recommended the payment of a final dividend of RMB14 cents per share and a special dividend of RMB6 cents per share for the year ended 31 December 2022. Together with the interim dividend of RMB5 cents per share already paid, the total dividend for the year was RMB25 cents per share.

During the year, segmental revenue (including inter-segment sales) of intermediate products, bulk medicine and finished products increased by 27.5%, 32.7% and 13.0% respectively as compared with last year. Segmental result of intermediate products and bulk medicine increased by 131.9% and 90.7% respectively as compared with last year. Segmental result of and finished products decreased by 9.1% as compared with last year.

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

Intermediate Products and Bulk Medicine

During the year, the intermediate products and bulk medicines segment recorded external sales of approximately RMB1,599.2 million and RMB5,174.7 million, respectively, representing a year-on-year decrease of 5.9% and increase of 30.4%, respectively. The selling prices and sales volume of bulk medicine continued to increase. The selling price of intermediate products remained at a high level.

Overseas export recorded sales of RMB2,371.5 million, representing a year-on-year increase of 13.1%, accounting of 20.9% of total revenue of the Group. The Group secured its position as an industry leader in the domestic and export markets for intermediate products and bulk medicine. In September 2022, the antibiotic sterile bulk medicines of Zhuhai United Laboratories Co., Ltd., a wholly-owned subsidiary of the Company, including Amoxicillin Sodium, Ampicillin Sodium, Clavulanic Acid, Sulbactam Sodium and mixed powder varieties, passed the official inspection of the Spanish Agency for Medicine and Health Products (AEMPS), and the subsidiary obtained the GMP Compliance Certificate issued by the Spanish government, signalling that United Laboratories gained further trust and recognition from EU countries for its production capacity and product quality, which in turn facilitates us to increase international presence of our business.

Finished Products

During the year, the external sales of finished products was approximately RMB4,560.3 million, representing a year-on-year increase of 13.0%.

Diabetes series recorded total sales revenue of approximately RMB1,175.5 million, representing a year-on-year decrease of 18.0%. Among that, the recombinant human insulin injection recorded sales revenue of approximately RMB661.8 million, and registered a year-on-year increase of 8.8% in sales volume. Insulin glargine injection recorded sales revenue of approximately RMB422.1 million, and registered a year-on-year increase of 41.5% in sales volume. Insulin aspart injection and insulin aspart 30 injection recorded sales revenue of approximately RMB91.6 million, and registered a significant year-on-year increase of 940.4% in sales volume.

In May 2022, the results of the sixth batch national centralised drug procurement (specialised in Insulin) were successively implemented in provinces and cities across China. During the year, affected by factors such as decrease in the price of products, the sales revenue of the diabetes series decreased year-on-year. Leveraging the new opportunity of centralised drug procurement of insulin, the Group will continue its market-wide product sales expansion to drive profit improvement through scale expansion, increase market share, enhance brand influence, and benefit more diabetes patients, thus catalysing domestic replacement in the diabetes sector.

Antibiotics products, including veterinary drugs, recorded sales revenue of RMB3,063.0 million, representing a year-on-year increase of 32.9%. Among that the piperacillin sodium and tazobactam sodium for injection recorded a sales revenue of RMB672.6 million, representing a year-on-year increase of 10.0%, and amoxicillin capsules recorded a sales revenue of RMB578.8 million, representing a year-on-year increase of RMB14.7%.

Veterinary drugs recorded sales revenue of RMB796.9 million during the year, representing a significant year-on-year increase of 106.1%. 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, entered into a strategic cooperation with Muyuan Foods Co., Ltd. (牧原食品股份有限公司) (“Muyuan Food”) to jointly establish Henan Lianmu Veterinary Medicine Co., Ltd. (河南聯牧獸藥有限公司), which is principally engaged in the production and operation of veterinary drug powder, powder for injection, disinfectants (solid, and liquid), water for injection, tablets and intravenous infusion products. During the year, the joint venture project progressed smoothly, and United Animal Healthcare and Muyuan Food entered the stage of comprehensive and in-depth cooperation.

Progress of Pharmaceutical Research and Development

During the year, the Group invested a total of RMB593.6 million in pharmaceutical R&D, with a year-on-year increase in R&D expenses of 27.6%. The Group has 29 new products under development, of which 15 product(s) is/are class-I new drugs. The Group has established a comprehensive research and development system characterised by collaborative development among multiple platforms such as biological research and development, chemical drug research and development, innovative drug research and development, clinical research centre and external cooperation, focusing on endocrine, autoimmune, ophthalmology and other fields.

During the year, the Group made significant progress in various research and development projects. In June 2022, the Group obtained the clinical trial approval for its insulin degludec and insulin aspart injection from National Medical Products Administration (“NMPA”), making the Group the second enterprise in China to obtain the clinical approval of the biosimilar. Such approval marks that United Laboratories gets another head start on research and development of diabetes drugs. In August 2022, the Group received the notice of acceptance of clinical registration application for semaglutide injection and obtained the clinical trial approval in October, which will further enrich the Group’s product portfolio in the field of diabetes treatment. In October 2022, clinical trial approval for TUL01101 Ointment, a class-I new drug, was obtained. TUL01101 Ointment is a topical preparation of Janus Kinase (JAK) inhibitor for the treatment of mild to moderate atopic dermatitis with proven efficacy and fewer side effects. To date, only a few topical JAK inhibitor preparations have been approved for marketing in overseas markets, and no such product has been approved in Chinese market. In October 2022, the application for clinical registration of TUL12101 Eye Drops, a class-I new drug for the treatment of dry eye disease, was accepted. In addition, sodium hyaluronate eye drop (specification: 0.1% (0.4 ml: 0.4 mg)) and sodium hyaluronate eye drop (specification: 0.3% (0.4 ml: 1.2 mg)) were approved for marketing during the year, which further enhanced the Group’s market competitiveness in the field of ophthalmology.

In terms of quality and efficacy consistency evaluation of generic drugs, during the year, the Group successively passed the consistency evaluation of biapenem for injection (specification: 0.3g), cefuroxime axetil tablets (specification: 0.125g) and piperacillin sodium and tazobactam sodium for injection (specification: 4.5g). The above-mentioned sodium hyaluronate eye drops (specification: 0.1% (0.4ml: 0.4mg)) and sodium hyaluronate eye drops (specification: 0.3% (0.4ml: 1.2mg)) that have passed the marketing approval have also been deemed to have passed the consistency evaluation. The Group will continue to promote the research and development and the consistency evaluation of new drugs to provide patients with more safe and high-quality drug options.

In April 2022, The United Bio-Technology (Hengqin) Co., Ltd. (聯邦生物科技(珠海橫琴)有限公司) (“United Bio-Technology”), one of wholly-owned subsidiaries of the Group, officially established its presence in Hengqin-Guangdong-Macao In-Depth Cooperation Zone. As the Group’s biopharmaceutical R&D headquarters, it specialises in the R&D of drug products for energy metabolism, inflammation and autoimmune diseases. The primary mission of United Bio-Technology is the research and development of high-end biological drugs for the treatment of major chronic diseases, and it will gradually develop into a

professional institution for chronic disease management. In the future, United Bio-Technology will strengthen international cooperation and exchanges and project introduction, and actively promote the progress of new drug projects to further enhance its competitiveness in the biomedical industry.

Optimising Financial Structure

In terms of finance, the Group continuously optimised the financial structure to improve liquidity by adjusting the ratio of onshore and offshore borrowings. During the year, the Group successively obtained Hong Kong dollar term loan facilities from several banks, which provided sufficient liquidity to the Group and demonstrated that the Group's profitability was widely recognised by financial institutions. During the year, the finance costs of the Group were approximately RMB81.6 million, representing a year-on-year increase of 35.5% mainly due to increase in Hong Kong dollars interest rate. As at 31 December 2022, the Group's net bank balances and cash (after deducting borrowings and trade payables under supplier finance arrangement) amounted to RMB1,394.6 million (2021: RMB212.6 million). The Group will actively adjust its financial structure by using RMB as the main borrowing currency in its efforts to reduce overall finance costs, balance the risk of exchange rate fluctuation and enhance financial flexibility and efficiency in the utilisation of funds.

Liquidity and Financial Resources

As at 31 December 2022, the Group had pledged bank deposits, bank balances and cash amounted to approximately RMB5,437.8 million (2021: RMB4,158.4 million).

As at 31 December 2022, the Group had interest-bearing borrowings of approximately RMB2,455.1 million (2021: RMB1,831.1 million), which were denominated in Hong Kong dollars and Renminbi with maturity within five years. Borrowings of approximately RMB251.4 million are fixed rates loans while the remaining balance of approximately RMB2,203.7 million is at floating rates. The directors expect that all such borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

As at 31 December 2022, current assets of the Group amounted to approximately RMB12,514.9 million (2021: RMB9,986.3 million). Net current assets increased from RMB3,451.1 million as at 31 December 2021 to RMB5,481.9 million as at 31 December 2022. The Group's current ratio was approximately 1.78 as at 31 December 2022, as compared with 1.53 as at 31 December 2021. As at 31 December 2022, the Group had total assets of approximately RMB18,979.6 million (2021: RMB16,331.1 million) and total liabilities of approximately RMB8,370.2 million (2021: RMB6,991.2 million). Equity attributable to owners of the Company increased from RMB9,340.5 million at 31 December 2021 to RMB10,608.1 million at 31 December 2022. As at 31 December 2022, the Group's net cash and bank balances (after deducting borrowings and trade payables under supplier finance arrangement) amounted to RMB1,394.6 million (2021: RMB212.6 million).

Currency Exchange Exposures

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

Employees and Remuneration

As at 31 December 2022, the Group had approximately 13,600 (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.

Contingent Liabilities

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

Litigations

Reference is made to the Company's announcements dated 9 August 2019, 14 August 2019 and 9 November 2022 in relation to the investment and cooperation agreement with 恒大地產集團成都有限公司 (Evergrande Real Estate Group (Chengdu) Limited) ("Evergrande (Chengdu)"). The Group applied for the commencement of an action against, among others, Evergrande (Chengdu) on 7 March 2022 in the Guangzhou Intermediate People's Court for recovery of the outstanding consideration receivables of approximately RMB340 million and relevant damages and received a notice of acceptance on 14 March 2022 (the "Action"). Due to the large number of actions against China Evergrande Group commenced in the Guangzhou Intermediate People's Court, the Action is handled by the Chengdu Intermediate People's Court. After accepting the case, the Chengdu Intermediate People's Court heard the case in the first session on 21 February 2023, and as some legal procedures had not been completed in this trial, the Court will continue the trial at a separate schedule. The Company will make further announcement(s) on the progress of the Action as and when appropriate.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, the Company has repurchased a total of 12,464,000 shares on the Stock Exchange at total consideration (including transaction costs) of approximately HK\$51,534,000. 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 to August	-	-	-	-
September	4,000	3.20	3.20	13,000
October	544,000	3.20	3.17	1,741,000
November and December	-	-	-	-

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 year ended 31 December 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 ("CG Code") and Corporate Governance Report contained in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

- Code Provision A.2.1

Under the code provision A.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 year ended 31 December 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 directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the year covered by this announcement.

AUDIT COMMITTEE REVIEW

The Audit Committee comprises three independent non-executive directors, namely Mr. Chong Peng Oon, Prof. Song Ming and Ms. Fu Xiao Nan. The Audit Committee has reviewed with the management of the Company the consolidated financial statements for the year ended 31 December 2022, including the accounting principles and practices adopted by the Group.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the final dividend and the special dividend, the Register of Members of the Company will be closed on Thursday, 6 July 2023 and Friday, 7 July 2023 on which no transfer of shares will be registered. In order to qualify for the final dividend and the special dividend (record date being Friday, 7 July 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 Wednesday, 5 July 2023.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (1) 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 (2) Mr. Chong Peng Oon, Prof. Song Ming and Ms. Fu Xiao Nan as independent non-executive directors.