



The United Laboratories International Holdings Limited

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




2024

INTERIM REPORT



Our mission is to
make life more valuable

Contents

- 
- 2** Financial Highlights
 - 3** Corporate Information
 - 4** Report on Review of Condensed Consolidated Financial Statements
 - 5** Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
 - 6** Condensed Consolidated Statement of Financial Position
 - 8** Condensed Consolidated Statement of Changes in Equity
 - 9** Condensed Consolidated Statement of Cash Flows
 - 11** Notes to the Condensed Consolidated Financial Statements
 - 32** Management Discussion and Analysis
 - 38** Other Information

Financial Highlights

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

BOARD OF DIRECTORS

Executive directors

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

Independent non-executive directors

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

COMPANY SECRETARY

Mr. Leung Wing Hon (*FCCA*)

AUTHORISED REPRESENTATIVES

Mr. Tsoi Hoi Shan
Mr. Leung Wing Hon

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

SUSTAINABILITY COMMITTEE

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

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

China

Industrial and Commercial Bank of China Ltd.,
Zhuhai Branch
China Merchants Bank Co., Ltd., Zhuhai Branch
China Construction Bank Corporation,
Bayannaoer Branch
Bank of China Ltd., Zhuhai Branch
Ping An Bank Co., Ltd., Hengqin Branch
Bank of Communication Co., Ltd., Zhuhai Branch
Guangdong Huaxing Bank Co., Ltd., Zhuhai Branch
Bank of China Ltd, Bayannaoer Branch
China Guangfa Bank Co., Ltd, Zhuhai Branch

Hong Kong

Bank of China (Hong Kong) Ltd.
Hang Seng Bank Ltd.
Bank of Communications (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

WEBSITE

www.tul.com.cn
www.irasia.com/listco/hk/unitedlab

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of The United Laboratories International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 31, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2024

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		(3,831,439)	(3,693,226)
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	13	(38,756)	(6,988)
Share of results of an associate		(184)	165
Finance costs	6	(25,172)	(38,736)
Profit before taxation		1,901,702	1,612,155
Tax expense	7	(410,707)	(327,915)
Profit for the period	8	1,490,995	1,284,240
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		646	1,351
Total comprehensive income for the period		1,491,641	1,285,591
Profit (loss) for the period attributable to:			
Owners of the Company		1,491,404	1,284,496
Non-controlling interests		(409)	(256)
		1,490,995	1,284,240
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		1,492,050	1,285,847
Non-controlling interests		(409)	(256)
		1,491,641	1,285,591
Earnings per share (RMB cents)	9		
– Basic		82.08	70.69

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	<i>NOTES</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	6,852,226	6,483,406
Right-of-use assets		401,616	390,701
Goodwill		3,031	3,031
Intangible assets		157,747	133,959
Interests in an associate		7,120	7,304
Deposits for acquisition of property, plant and equipment		168,363	130,278
Financial asset at fair value through profit or loss	21	500	500
Deferred tax assets	7	87,802	80,800
		7,678,405	7,229,979
Current assets			
Inventories		2,376,200	2,238,483
Trade and bills receivables, other receivables, deposits and prepayments	12	5,449,617	6,314,480
Pledged bank deposits	19	767,077	972,249
Cash and cash equivalents		6,554,830	4,261,989
		15,147,724	13,787,201
Current liabilities			
Trade and other payables	14	5,349,152	6,052,651
Contract liabilities		116,512	115,584
Derivative financial instruments	16	–	25,587
Dividend payables	10	726,811	–
Lease liabilities		4,551	2,509
Tax payables		207,747	232,548
Borrowings – due within one year	15	1,009,449	197,853
		7,414,222	6,626,732
Net current assets		7,733,502	7,160,469
Total assets less current liabilities		15,411,907	14,390,448

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	<i>NOTES</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current liabilities			
Deferred tax liabilities	7	368,264	288,080
Deferred income in respect of government grants	14	27,191	32,237
Derivative financial instruments	16	–	19,191
Lease liabilities		12,569	4,322
Borrowings – due after one year	15	1,430,000	1,299,000
		1,838,024	1,642,830
Net assets			
		13,573,883	12,747,618
Capital and reserves			
Share capital	17	16,965	16,965
Reserves		13,508,488	12,717,813
Equity attributable to owners of the Company		13,525,453	12,734,778
Non-controlling interests		48,430	12,840
Total equity			
		13,573,883	12,747,618

The condensed consolidated financial statements from pages 5 to 31 were approved and authorised for issue by the Board of Directors on 29 August 2024 and are signed on its behalf by:

TSOI HOI SHAN

DIRECTOR

LEUNG WING HON

DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Share-based compensation reserve RMB'000	Foreign exchange reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023 (Audited)	16,965	3,722,482	277,100	1,254,210	-	9,109	5,328,220	10,608,086	1,345	10,609,431
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,351	-	1,351	-	1,351
Profit (loss) for the period	-	-	-	-	-	-	1,284,496	1,284,496	(256)	1,284,240
Total comprehensive income (expense) for the period	-	-	-	-	-	1,351	1,284,496	1,285,847	(256)	1,285,591
Dividends recognised as distribution (Note 10)	-	-	-	-	-	-	(363,405)	(363,405)	-	(363,405)
Appropriations	-	-	-	92,217	-	-	(92,217)	-	-	-
At 30 June 2023 (Unaudited)	16,965	3,722,482	277,100	1,346,427	-	10,460	6,157,094	11,530,528	1,089	11,531,617
At 1 January 2024 (Audited)	16,965	3,722,482	277,100	1,419,177	6,365	9,534	7,283,155	12,734,778	12,840	12,747,618
Exchange differences arising, on translation of foreign operations	-	-	-	-	-	646	-	646	-	646
Profit (loss) for the period	-	-	-	-	-	-	1,491,404	1,491,404	(409)	1,490,995
Total comprehensive income (expense) for the period	-	-	-	-	-	646	1,491,404	1,492,050	(409)	1,491,641
Dividends recognised as distribution (Note 10)	-	-	-	-	-	-	(726,811)	(726,811)	-	(726,811)
Recognised of share-based compensation expense	-	-	-	-	25,436	-	-	25,436	-	25,436
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	35,999	35,999
Appropriations	-	-	-	133,169	-	-	(133,169)	-	-	-
At 30 June 2024 (Unaudited)	16,965	3,722,482	277,100	1,552,346	31,801	10,180	7,914,579	13,525,453	48,430	13,573,883

Notes:

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Operating activities		
Profit before taxation	1,901,702	1,612,155
Adjustments for:		
Write-down of inventories, net	6,214	5,292
Impairment losses under expected credit loss model, net of reversal	38,756	6,988
Amortisation of intangible assets	8,772	8,766
Depreciation of property, plant and equipment	288,284	288,665
Depreciation of right-of-use assets	8,013	5,468
Net gain on fair value change of derivative financial instruments	(70,815)	(24,231)
Gain on fair value changes of financial assets at fair value through profit or loss	–	(54)
Gain on disposal of financial asset at fair value through profit or loss	(29,626)	(36,690)
Finance costs	25,172	38,736
Release of government grants	(9,105)	(7,823)
Bank interest income	(57,599)	(51,432)
Share of results of an associate	184	(165)
Net loss on disposal of property, plant and equipment	441	2,330
Written off of property, plant and equipment	88,329	56,087
Provision for carbon emissions allowances	13,868	17,896
Net unrealised foreign exchange gain	(9,180)	(13,225)
Share-based compensation expense	25,436	–
Operating cash flows before movements in working capital	2,228,846	1,908,763
Increase in inventories	(143,931)	(33,302)
Decrease (increase) in trade and bills receivables, other receivables, deposits and prepayments	1,384,016	(1,122,621)
(Decrease) increase in trade and other payables	(1,261,956)	747,957
Increase (decrease) in contract liabilities	928	(30,644)
Cash generated from operations	2,207,903	1,470,153
Income taxes paid	(362,326)	(272,682)
Net cash from operating activities	1,845,577	1,197,471

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Investing activities		
Payments for purchase of property, plant and equipment	(732,459)	(396,697)
Payment for deposits of acquisition of property, plant and equipment	(46,687)	(73,305)
Proceeds on disposal of property, plant and equipment	1,684	2,248
Placement of pledged bank deposits	(2,452,742)	(1,358,389)
Withdrawal of pledged bank deposits	2,657,914	1,378,738
Placement of financial assets at fair value through profit and loss	(10,650,660)	(3,188,296)
Proceeds on disposal of financial assets at fair value through profit and loss	10,680,286	3,203,206
Interest received	57,599	51,432
Additions to intangible assets	(32,560)	–
Additions to right-of-use assets	(6,045)	(495)
Net cash used in investing activities	(523,670)	(381,558)
Financing activities		
Interest paid	(31,669)	(40,635)
Capital injection from the non-controlling interests	35,999	–
Repayment of leases liabilities	(2,594)	(2,011)
New borrowings raised	1,069,596	1,244,000
Repayment of borrowings	(127,000)	(2,030,355)
Net settlement of foreign currency forwards contracts	26,037	14,262
Net cash from (used in) financing activities	970,369	(814,739)
Net increase in cash and cash equivalents	2,292,276	1,174
Cash and cash equivalents at beginning of the period	4,261,989	4,743,071
Effect of foreign exchange rate changes	565	597
Cash and cash equivalents at end of the period	6,554,830	4,744,842

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2024 (Unaudited)

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
Types of products						
– 6-APA	987,028	–	–	987,028	–	987,028
– Antibiotics products	–	3,461,972	1,688,316	5,150,288	–	5,150,288
– Insulin products	–	–	528,341	528,341	–	528,341
– Others	326,933	2,094	181,120	510,147	–	510,147
Revenue from contracts						
with customers	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>

For the six months ended 30 June 2023 (Unaudited)

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

All of the Group's revenue is recognised at a point in time during the six months ended 30 June 2024 and 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Geographical information

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

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

(ii) Segment information

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Segment information *(Continued)*

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

For the six months ended 30 June 2024 (Unaudited)

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Segments total RMB'000	Elimination RMB'000	Consolidated RMB'000
REVENUE						
External sales	1,313,961	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 <i>(Note)</i>	<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						(25,172)
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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Segment information *(Continued)*

For the six months ended 30 June 2023 (Unaudited)

	Intermediate products RMB'000	Bulk medicine RMB'000	Finished products RMB'000	Segments total RMB'000	Elimination RMB'000	Consolidated RMB'000
REVENUE						
External sales	1,047,439	3,422,975	2,436,110	6,906,524	–	6,906,524
Inter-segment sales	<u>1,644,676</u>	<u>426,141</u>	<u>–</u>	<u>2,070,817</u>	<u>(2,070,817)</u>	<u>–</u>
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 <i>(Note)</i>	<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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) Segment information *(Continued)*

Measurement

The accounting policies of the reportable segments are the same as disclosed in the Company's 2023 Annual Report. Performance is measured based on segment results that is used by the CODM for the purposes of resource allocation and assessment of segment performance. Taxation is not allocated to reportable segments.

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

Inter-segment revenue is charged at prevailing market rates.

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

4. OTHER INCOME

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

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 recognize any government grant in respect of Covid-19-related subsidies during the current period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net foreign exchange gain	30,773	50,682
Net gain on fair value change of derivative financial instruments (<i>Note</i>)	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)
	41,958	52,472

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 during 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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

6. FINANCE COSTS *(Continued)*

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

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

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

7. TAX EXPENSE (Continued)

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.

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

	Accelerated accounting depreciation RMB'000	Unrealised profit on inventories RMB'000	Withholding tax on undistributed profits of the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2023 (Audited)	63,079	16,951	(194,069)	(114,039)
(Charge) credit to profit or loss for the period	(4,771)	4,448	(57,227)	(57,550)
At 30 June 2023 (Unaudited)	<u>58,308</u>	<u>21,399</u>	<u>(251,296)</u>	<u>(171,589)</u>
At 1 January 2024 (Audited)	60,198	20,602	(288,080)	(207,280)
Credit (charge) to profit or loss for the period	1,337	5,665	(80,184)	(73,182)
At 30 June 2024 (Unaudited)	<u>61,535</u>	<u>26,267</u>	<u>(368,264)</u>	<u>(280,462)</u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Deferred tax assets	87,802	80,800
Deferred tax liabilities	(368,264)	(288,080)
	<u>(280,462)</u>	<u>(207,280)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

8. PROFIT FOR THE PERIOD

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

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share being profit for the period attributable to the owners of the Company	<u>1,491,404</u>	<u>1,284,496</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

9. EARNINGS PER SHARE *(Continued)*

	Six months ended 30 June	
	2024 '000 (Unaudited)	2023 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,817,027	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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (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	508,767	254,384
2023 special dividend RMB12 cents (2023: 2022 special dividend RMB6 cents) per share	218,044	109,021
	726,811	363,405

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).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables from contracts with customers	2,520,903	2,378,638
Less: allowance for credit losses (<i>Note 13</i>)	(51,109)	(12,459)
Banker's acceptance bills receivables	2,569,683	3,496,731
Less: allowance for credit losses (<i>Note 13</i>)	(348)	(193)
Consideration receivables	339,574	339,574
Less: allowance for credit losses (<i>Note 13</i>)	(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 (<i>Note 13</i>)	(5,895)	(5,944)
	<u>5,449,617</u>	<u>6,314,480</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).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

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

	30 June 2024 RMB'000 (Unaudited)	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>2,469,794</u>	<u>2,366,179</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>2,569,335</u>	<u>3,496,538</u>

As at 30 June 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB659,748,000 (31 December 2023: RMB778,531,000) which are past due as at the reporting date. Out of the past due balances, RMB70,734,000 (31 December 2023: RMB31,012,000) has been past due 90 days or more. The directors of the Company are in the view that there have been no significant increase in credit risk nor default based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group does not hold any collateral over these balances.

At 30 June 2024, out of the total bills receivables (before allowance for credit loss) of RMB2,569,683,000 (31 December 2023: RMB3,496,731,000), bills of RMB23,449,000 (31 December 2023: RMB23,853,000) and RMB1,270,145,000 (31 December 2023: RMB1,465,401,000) were further discounted to banks and endorsed to suppliers respectively with full recourse. The Group continues to recognise their full carrying amount at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

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

	Trade receivables RMB'000	Other receivables RMB'000	Banker's acceptance bills receivables RMB'000	Commercial bills receivables RMB'000	Consideration receivables RMB'000	Total RMB'000
At 1 January 2023 (Audited)	6,839	6,496	848	6,375	339,574	360,132
Impairment losses recognised (reversed), net	13,085	374	(697)	(5,774)	–	6,988
At 30 June 2023 (Unaudited)	19,924	6,870	151	601	339,574	367,120
At 1 January 2024 (Audited)	12,459	5,944	193	–	339,574	358,170
Impairment losses recognised (reversed), net	38,650	(49)	155	–	–	38,756
At 30 June 2024 (Unaudited)	51,109	5,895	348	–	339,574	396,926

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

14. TRADE AND OTHER PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	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 (<i>note 1</i>)		
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 (<i>note 2</i>)	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. In the condensed consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.
- (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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

15. BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bank loans	2,416,000	1,473,000
Discounted bills with recourse (<i>Note 12</i>)	23,449	23,853
	2,439,449	1,496,853
Analysed as:		
Secured	23,449	23,853
Unsecured	2,416,000	1,473,000
	2,439,449	1,496,853
The carrying amount of the above borrowings are repayable		
The carrying amount of the bank loans are repayable:		
– Within one year	566,000	94,000
– Within a period of more than one year, but not exceeding two years	520,000	479,000
– Within a period of more than two years but not more than five years	910,000	820,000
	1,996,000	1,393,000
The carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable*:		
– Within one year	420,000	80,000
	2,416,000	1,473,000
The carrying amount of the discounted bills with recourse are repayable:		
– Within one year	23,449	23,853
	2,439,449	1,496,853
Less: Amount due within one year shown under current liabilities	(1,009,449)	(197,853)
Amount shown under non-current liabilities	1,430,000	1,299,000

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

15. BORROWINGS (Continued)

During the current interim period, the Group obtained borrowings amounting to RMB1,069,596,000 (six months ended 30 June 2023: RMB1,244,000,000), the Group repaid borrowings of RMB127,000,000 (six months ended 30 June 2023: RMB2,030,355,000) and derecognised discounted bills with recourse of RMB23,853,000 (six months ended 30 June 2023: RMB251,378,000). The range of effective interest rates of the floating rate borrowings at 30 June 2024 is 2.5% to 3.98% (31 December 2023: 2.5% to 3.65%) per annum. The range of effective interest rates of the fixed rate borrowings at 30 June 2024 is 1.47% to 2.8% (31 December 2023: 0.68% to 1.86%) per annum.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Foreign currency forward contracts		
– Current liabilities	–	25,587
– Non-current liabilities	–	19,191
	<u>–</u>	<u>44,778</u>

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

30 June 2024

No multiple currency forward contracts hedged by the Group.

31 December 2023

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

Notional amount	Maturity	Exchange rate
Sell USD140,000,000	30 October 2025	USD1: RMB7.025
Sell USD66,000,000	29 October 2025	USD1: RMB6.960
Sell USD44,000,000	29 October 2025	USD1: RMB6.960

The forward contracts represent the multiple currency forward transactions to be settled on multiple settlement dates on a monthly basis, until the final maturity date, or the date of reaching the exchange rate capped in the respective forward contracts.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	<u>3,800,000,000</u>	<u>38,000</u>
Issued and fully paid:		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	<u>1,817,026,508</u>	<u>18,170</u>
		RMB'000
Shown in the consolidated financial statements as:		
At 31 December 2023 and 30 June 2024		<u>16,965</u>

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

18. 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.

19. PLEDGE OF OR RESTRICTIONS ON ASSETS

Pledge of assets

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

	30 June 2024 RMB'000 (Unaudited)	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>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

19. PLEDGE OF OR RESTRICTIONS ON ASSETS *(Continued)*

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.

20. RELATED PARTY TRANSACTIONS

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

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

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

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

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)				
Financial asset at fair value through profit or loss ("FVTPL") – unquoted equity investment	Asset 500	Asset 500	Level 3	Method of comparables is used to evaluate the market value of the unquoted equity investments by using price to book ratio of listed entities in similar industries	Discount for lack of marketability of 35.39% as at 30 June 2024 (31 December 2023: 32%), determined by reference to recent market research	A significant increase in the discount for lack of marketability would result in a significant decrease in the fair value
Foreign currency forward contracts classified as financial instruments accounted for as FVTPL in the condensed consolidated statement of financial position	Liabilities –	Liabilities (44,778)	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

Fair value measurements and valuation processes

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

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

22. MAJOR NON-CASH TRANSACTION

During the current interim period, short term borrowings drawn on discounted bills with recourse and bills receivables endorsed to suppliers with full recourse of RMB23,853,000 (six months ended 30 June 2023: RMB251,378,000) and RMB661,921,000 (six months ended 30 June 2023: RMB609,196,000), respectively, have been derecognised when the related receivables were matured. Discounted bills with recourse amount of RMB23,449,000 (six months ended 30 June 2023: RMB91,167,000) and bills receivables endorsed to suppliers with full recourse amount of RMB1,210,487,000 (six months ended 30 June 2023: RMB297,255,000) have been recognised for which the maturity dates of the related receivables have not yet fallen due at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

23. SHARE-BASED PAYMENTS

On 13 November 2023, the Group granted 1,805,700 and 10,291,200 unvested award shares to Group's directors and employees, respectively under the share award scheme adopted by the shareholders of the Company at the extraordinary general meeting held on 26 October 2023. The unvested award shares granted would vest on specific dates, or in equal tranches from the grant date over 12 to 36 months (i.e. from 13 November 2024 to 13 November 2026), on condition that the directors and employees remains in service with certain performance requirements as determined by the board of directors from time to time. The unvested award shares will not result in any issue of new shares as the Group will repurchase the shares from the open market for the unvested award shares upon the vesting conditions underlying the respective unvested award shares are met and the unvested award shares are considered duly and validly issued to the holder, and free of restrictions on transfer.

Movements in the number of unvested award shares granted to the Group's directors and employees and the respective weighted average grant date fair value are as follows:

	Number of unvested award shares	Weighted average fair value per unvested award share
Outstanding as at 1 January 2024 and 30 June 2024 (unaudited)	<u>12,096,900</u>	<u>HK\$7.45</u>

The fair value of unvested award shares is determined based on the closing price of the Group's publicly traded ordinary shares on the date of grant.

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the unvested award shares (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 30 June 2024, the Expected Retention Rate for the Group's directors and employees was assessed to be 100%.

The total expenses recognised in the condensed consolidated statement of profit or loss and other comprehensive income for share-based awards granted to the Group's directors and employees are RMB25,436,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 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 approximately 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 approximately 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 approximately RMB12,734.8 million at 31 December 2023 to approximately 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).

Management Discussion and Analysis

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 恒大地产集团成都有限公司 (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.

Management Discussion and Analysis

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.

Other Information

DIRECTORS' INTERESTS IN COMPETING BUSINESS AND CONTRACTS

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

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

As at 30 June 2024, the directors and chief executive of the Company had the following interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

Long position in the shares and underlying shares of the Company:

Name of directors	Number of shares held	Number of underlying shares held (note)	Total	Capacity	Percentage of interest
Mr. Tsoi Hoi Shan	16,306,875	575,100	16,881,975	Personal interest	0.93%
Mr. Leung Wing Hon	22,000	401,100	423,100	Personal interest	0.02%
Ms. Choy Siu Chit	117,875	268,800	386,675	Personal interest	0.02%
Mr. Fang Yu Ping	–	186,900	186,900	Personal interest	0.01%
Ms. Zou Xian Hong	200,000	186,900	386,900	Personal interest	0.02%
Ms. Zhu Su Yan	179	186,900	187,079	Personal interest	0.01%

Note: The interests represent the unvested award shares granted on 13 November 2023 pursuant to the 2023 Share Award Scheme.

Save as disclosed above, none of the directors, chief executive and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2024.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, the following shareholders, other than the directors or chief executive of the Company, were recorded in the register required to be kept by the Company under section 336 of the SFO as being interested (including short positions) in the shares or underlying shares of the Company:

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

Name	Notes	Number of shares held	Percentage of Interest
Heren Far East Limited ("Heren")		834,250,000(L)	45.91%
Heren Far East #4 Limited	(1)	834,250,000(L)	45.91%
IQ EQ Services (HK) Limited	(2)	834,250,000(L)	45.91%

L/S: Long position/short position

Notes:

- (1) Heren Far East #4 Limited is interested in more than one-third of the issued share capital of Heren, and is deemed or taken to be interested in the 834,250,000 shares of the Company beneficially owned by Heren for the purposes of Part XV of the SFO.
- (2) IQ EQ Services (HK) Limited is the trustee of the respective trusts holding entire interest in each of Heren Far East #2 Limited, Heren Far East #3 Limited and Heren Far East #4 Limited (which together hold the entire issued share capital of Heren), and is deemed to be interested in the 834,250,000 shares of the Company beneficially owned by Heren for the purposes of Part XV of the SFO.

Save as disclosed above, no other person being recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 30 June 2024.

Other Information

SHARE AWARD SCHEME

The Company adopted a share award scheme on 26 October 2023 (the “Share Award Scheme”). The Share Award Scheme is to reward the directors and employees of the Group for their hard work, contribution and loyalty and align their interest with those of the shareholders of the Company. The number of shares to be funded by issue of new shares of the Company and/or purchased of existing shares on-market which may be awarded under the Share Award Scheme shall not exceed 10% of the issued shares of the Company as at 26 October 2023 (i.e. 181,702,650 shares). The principal terms of the Share Award Scheme are set out in the Company’s circular dated 15 September 2023.

On 13 November 2023, the directors of the Company resolved to grant a total of 12,096,900 shares (the “Awarded Shares”) to selected participants in accordance with the terms of the Share Award Scheme. All of the 12,096,900 Awarded Shares are granted by way of acquisition of the existing shares of the Company through on-market transactions by the trustee of the Share Award Scheme. The grant of 12,096,900 Awarded Shares will not result in any issue of new shares of the Company. Details of the grant of the Awarded Shares are disclosed in the Company’s announcement dated 13 November 2023.

As at 30 June 2024, 169,605,750 shares of the Company are available for future grant under the Share Award Scheme.

Other Information

During the six months ended 30 June 2024, the movements of unvested Awarded Shares granted under the Share Award Scheme are as follows:

Grantee name/ categories	Date of grant	Vesting period	Number of unvested Awarded Shares					As at 30 June 2024
			As at 1 Jan 2024	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	
Directors of the Company:								
Tsoi Hoi Shan	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	575,100	-	-	-	-	575,100
Leung Wing Hon	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	401,100	-	-	-	-	401,100
Choy Siu Chit	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	268,800	-	-	-	-	268,800
Fang Yu Ping	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	186,900	-	-	-	-	186,900
Zou Xian Hong	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	186,900	-	-	-	-	186,900
Zhu Su Yan	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	186,900	-	-	-	-	186,900
Other employees of the Group:	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	10,291,200	-	-	-	-	10,291,200
Total Awarded Shares granted:	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	12,096,900	-	-	-	-	12,096,900
Five highest paid individuals in aggregate (note 1):	13 Nov 2023	13 Nov 2024 to 13 Nov 2026	1,618,800	-	-	-	-	1,618,800

Notes:

- All of the five highest paid individuals of the Group are directors of the Company.
- There is no purchase price to be paid by the grantees. The consideration for each grant of the Awarded Shares is nil.
- The closing prices of the shares of the Company immediate before the date of the grant and on the date of the grant of the unvested Awarded Shares were HK\$7.77 and HK\$7.45 per share respectively.
- The fair value of the unvested Awarded Shares granted on 13 November 2023 was HK\$7.45 per share as at the date of grant.
- No Awarded Shares were purchased by the trustee of the Share Award Scheme during the six months ended 30 June 2024.
- The accounting standard and policy adopted are set out in note 3 to the consolidated financial statements in 2023 Annual Report.

Other Information

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