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LUYE PHARMA GROUP LTD.
绿 叶 制 药 集 团 有 限 公 司
(Incorporated in Bermuda with limited liability)
(Stock Code: 02186)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Revenue increased by RMB927.1 million or 42.1% to RMB3,130.9 million, as compared to the six months ended 30 June 2018.
- EBITDA increased by RMB386.3 million or 44.1% to RMB1,262.8 million, as compared to the six months ended 30 June 2018.
- Gross profit increased by RMB675.4 million or 38.5% to RMB2,431.9 million, as compared to the six months ended 30 June 2018, and a gross profit margin 77.7%.
- Net profit increased by RMB207.6 million or 36.9% to RMB770.8 million, as compared to the six months ended 30 June 2018.
- Profit attributable to shareholders increased by RMB203.7 million or 36.2% to RMB766.6 million, as compared to the six months ended 30 June 2018.
- Earnings per share was RMB23.93 cents compared to RMB17.54 cents for the six months ended 30 June 2018.
- The Board declared an interim dividend of RMB0.059 (equivalent to HK$0.067) per share for the six months ended 30 June 2019, compared to RMB0.043 (equivalent to HK$0.051) per share for the six months ended 30 June 2018.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Luye Pharma Group Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period of 2018, as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**3,130,894**	2,203,775
Cost of sales		**(699,006)**	(447,281)
Gross profit		**2,431,888**	1,756,494
Other income and gains	*5*	**164,087**	114,804
Selling and distribution expenses		**(1,008,726)**	(729,790)
Administrative expenses		**(257,976)**	(217,265)
Other expenses		**(277,616)**	(200,044)
Finance costs	*7*	**(113,157)**	(50,544)
Share of profit of an associate		**329**	396
PROFIT BEFORE TAX	*6*	**938,829**	674,051
Income tax expense	*8*	**(168,061)**	(110,867)
PROFIT FOR THE PERIOD		**770,768**	563,184
Attributable to:			
Owners of the parent		**766,616**	562,879
Non-controlling interests		**4,152**	305
		770,768	563,184
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic (RMB)			
— For profit for the period		**23.93 cents**	17.54 cents
Diluted (RMB)			
— For profit for the period		**23.82 cents**	17.48 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**770,768**	563,184
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**—**	8,586
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**—**	(8,688)
	—	(102)
Exchange differences on translation of foreign operations	**(13,006)**	5,921
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(13,006)**	5,819
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(5,588)**	(416)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(5,588)**	(416)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(18,594)**	5,403
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**752,174**	568,587
Attributable to:		
Owners of the parent	**748,022**	568,282
Non-controlling interests	**4,152**	305
	752,174	568,587

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2019 (Unaudited) *RMB'000*	As at 31 December 2018 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**2,986,884**	2,837,140
Advance payments for property, plant and equipment and other intangible assets		**350,805**	141,451
Right-of-use assets		**259,281**	—
Prepaid land lease payments		**—**	217,048
Goodwill		**1,038,201**	1,040,879
Other intangible assets		**4,429,464**	4,445,063
Investment in an associate		**6,382**	5,935
Equity investments designated at fair value through other comprehensive income		**70,915**	76,368
Financial assets at fair value through profit or loss		**1,263**	1,263
Deferred tax assets		**121,028**	98,355
Total non-current assets		**9,264,223**	8,863,502
CURRENT ASSETS			
Inventories		**636,113**	585,609
Trade and notes receivables	*12*	**1,757,301**	1,531,282
Prepayments, other receivables and other assets		**254,861**	254,902
Due from related parties	*15(b)*	**3,357**	2,816
Financial assets at fair value through profit or loss		**1,655,704**	1,882,839
Restricted cash		**28,377**	28,345
Pledged time deposits		**1,436,565**	1,409,782
Time deposits with original maturity of over three months		**2,286,520**	1,306,868
Cash and cash equivalents		**1,272,912**	1,672,865
Total current assets		**9,331,710**	8,675,308
CURRENT LIABILITIES			
Trade and notes payables	*13*	**568,185**	279,750
Other payables and accruals		**2,455,672**	2,461,783
Derivative financial instruments		**2,902**	—
Interest-bearing bank and other borrowings	*14*	**4,159,480**	5,290,547
Government grants		**24,267**	42,090
Dividend payable		**185,124**	—
Tax payable		**157,385**	128,760
Total current liabilities		**7,553,015**	8,202,930
NET CURRENT ASSETS		**1,778,695**	472,378
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,042,918**	9,335,880

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at	
		30 June	31 December
		2019	2018
		(Unaudited)	(Audited)
	Note	***RMB'000***	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,042,918**	9,335,880
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**1,906,523**	847,596
Retirement benefit obligations		**4,570**	4,568
Long-term payables		**313,055**	311,068
Government grants		**122,211**	108,714
Deferred revenue		**44,072**	40,907
Deferred tax liabilities		**128,560**	88,998
Total non-current liabilities		**2,518,991**	1,401,851
Net assets		**8,523,927**	7,934,029
EQUITY			
Equity attributable to owners of the parent			
Share capital		**421,337**	421,337
Treasury shares		**(310,014)**	(305,626)
Share premium		**2,764,669**	2,764,669
Reserves		**5,517,546**	4,928,033
		8,393,538	7,808,413
Non-controlling interests		**130,389**	125,616
Total equity		**8,523,927**	7,934,029

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 was approved and authorised by the Board on 28 August 2019.

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act on 2 July 2003. It was listed on the Singapore Exchange Securities Trading Limited (the "SGX") on 5 May 2004, and has been delisted since 29 November 2012. On 9 July 2014, the Company succeeded its listing on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK").

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the development, production, marketing and sale of pharmaceutical products.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is Suite 3207, Champion Tower, 3 Garden Road, Central, Hong Kong.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, notes receivable and derivative financial instruments which have been measured at fair value. The interim condensed consolidated financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application; and

- used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	250,645
Decrease in prepaid land lease payments	(217,048)
Decrease in prepayments, other receivables and other assets	(6,374)
Increase in total assets	27,223
Liabilities	
Increase in interest-bearing bank and other borrowings	27,223
Increase in total liabilities	27,223

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 were as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	30,412
Weighted average incremental borrowing rate as at 1 January 2019	4.76%
Discounted operating lease commitments as at 1 January 2019	27,496
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(511)
Add: Commitments relating to leases previously classified as finance leases	238
Lease liabilities as at 1 January 2019	27,223

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank and other borrowings'), and the movement during the period are as follow:

	Right-of-use assets					
	Plant and machinery	**Motor vehicles**	**Land and buildings**	**Land use right**	**Sub-total**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	—	—	27,223	223,422	250,645	27,223
Additions	2,467	627	18,063	—	21,157	20,527
Depreciation charge	(172)	(156)	(8,598)	(3,141)	(12,067)	—
Interest expense	—	—	—	—	—	946
Payments	—	—	—	—	—	(9,292)
Exchange realignment	—	(3)	(451)	—	(454)	(26)
As at 30 June 2019	2,295	468	36,237	220,281	259,281	39,378

The Group recognised rental expenses from short-term leases of RMB5,046,000 for the six months ended 30 June 2019.

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

The Group manages its businesses by type of products. The Group's chief operating decision maker is the Chief Executive Officer, who reviews revenue from and results of the major type of products sold for the purpose of resource allocation and assessment of segment performance. Segment result is evaluated based on gross profit less selling expenses allocated. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision maker for review.

For the six months ended 30 June 2019 (Unaudited)

	Oncology drugs	**Cardio-vascular system drugs**	**Alimentary tract and metabolism drugs**	**Central nervous system drugs**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue						
Sales to external customers	**1,404,820**	**483,603**	**552,181**	**613,560**	**76,730**	**3,130,894**
Total revenue	**1,404,820**	**483,603**	**552,181**	**613,560**	**76,730**	**3,130,894**
Segment results	**761,965**	**202,324**	**208,011**	**224,513**	**26,349**	**1,423,162**
Other income and gains						**164,087**
Administrative expenses						**(257,976)**
Other expenses						**(277,616)**
Finance costs						**(113,157)**
Share of profit of an associate						**329**
Profit before tax						**938,829**

For the six months ended 30 June 2018 (Unaudited)

	Oncology drugs	Cardio-vascular system drugs	Alimentary tract and metabolism drugs	Central nervous system drugs	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue						
Sales to external customers	1,088,810	363,942	470,732	217,133	63,158	2,203,775
Total revenue	1,088,810	363,942	470,732	217,133	63,158	2,203,775
Segment results	588,238	156,458	183,873	75,586	22,549	1,026,704
Other income and gains						114,804
Administrative expenses						(217,265)
Other expenses						(200,044)
Finance costs						(50,544)
Share of profit of an associate						396
Profit before tax						674,051

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**3,130,894**	2,203,775
Other income and gains		
Bank interest income	**45,782**	23,557
Government grants	**66,160**	23,010
Investment income from financial assets at fair value through profit or loss	**13,213**	31,734
Changes in fair value of investments	**15,020**	29,608
Investment income from entrusted loans	**—**	903
Foreign exchange gain, net	**18,858**	771
Others	**5,054**	5,221
	164,087	114,804

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**98,750**	79,221
Amortisation of other intangible assets	**99,964**	69,589
Amortisation of prepaid land lease payments	**—**	3,141
Depreciation of right-of-use assets	**12,067**	—
Operating lease expenses	**5,046**	11,271
Auditor's remuneration	**1,900**	1,730
Research and development costs	**258,712**	198,165
Cost of inventories sold	**699,006**	447,281
Foreign exchange gain, net	**(18,858)**	(771)
Equity-settled share award expense	**27,236**	9,483
Loss on disposal of non-current assets	**159**	340

7. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans	**92,317**	50,528
Amortised interest on discounted long-term payables	**10,576**	—
Interest on discounted notes receivable	**9,318**	—
Interest on lease liabilities	**946**	—
Finance charges payable under a hire purchase contract	**—**	16
	113,157	50,544

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax:		
Income tax charge	**141,095**	95,364
Under/(overprovision) in prior years	**10,352**	(2,820)
Deferred tax	**16,614**	18,323
Total tax charge for the period	**168,061**	110,867

9. DIVIDENDS

On 28 August 2019, the Company declared an interim dividend of RMB0.059 (equivalent to HK$0.067) per share (equivalent to approximately RMB191,654,000) for the six months ended 30 June 2019 (the six months ended 30 June 2018: RMB0.043 (equivalent to HK$0.051) per share).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,203,477,893 (the six months ended 30 June 2018: 3,209,434,467) in issue during the period. The number of shares for the current period has been arrived at after eliminating the shares of the Company held under the share award scheme and shares repurchased.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the share award scheme.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**766,616**	562,879

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period	**3,203,477,893**	3,209,434,467
Effect of dilution — weighted average number of ordinary shares under the share award scheme	**15,147,097**	11,454,124
	3,218,624,990	3,220,888,591

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Carrying amount at beginning of period	**2,837,140**	2,009,970
Additions	**252,183**	996,136
Depreciation provided during the period	**(98,750)**	(166,289)
Exchange realignment	**(1,506)**	1,705
Disposals	**(2,183)**	(4,382)
Carrying amount at end of period	**2,986,884**	2,837,140

As at 30 June 2019, the Group was applying for certificates of ownership for certain properties with a net book value of RMB1,571,000 (31 December 2018: RMB1,612,000). The Directors are of the opinion that the use of the properties and the conduct of operating activities at these properties referred to above are not affected by the fact the Group had not yet obtained the relevant property title certificates. The Group is not able to assign, transfer or mortgage these assets until such certificates are obtained.

As at 30 June 2019, the Group has pledged property, plant and equipment of RMB211,173,000 (31 December 2018: Nil) to secure bank loans of RMB150,000,000 (31 December 2018: Nil) (note 14).

12. TRADE AND NOTES RECEIVABLES

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Trade receivables	**1,301,386**	1,143,778
Notes receivable	**461,172**	391,999
	1,762,558	1,535,777
Less: Impairment of trade receivables	**(5,257)**	(4,495)
	1,757,301	1,531,282

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month to three months, extending up to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

As at 30 June 2019, notes receivable of RMB461,172,000 (31 December 2018: RMB391,999,000) which fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant in 2019.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	RMB'000	*RMB'000*
Less than 3 months	**1,214,528**	824,520
Between 3 and 6 months	**52,323**	277,068
Between 6 and 12 months	**18,026**	32,564
Between 1 and 2 years	**14,307**	8,077
Over 2 years	**2,202**	1,549
	1,301,386	1,143,778

As at 30 June 2019, the Group has pledged notes receivable of RMB19,308,000 (31 December 2018: RMB127,372,000) and intra-group notes receivable of RMB1,930,000 (31 December 2018: Nil) to secure intra-group notes receivable of RMB21,238,000 (31 December 2018: RMB127,180,000).

As at 30 June 2019, the Group has pledged notes receivable of RMB2,968,000 (31 December 2018: RMB45,341,000) and intra-group notes receivable of RMB24,070,000 (31 December 2018: Nil) to secure notes payable of RMB27,038,000 (31 December 2018: RMB45,273,000) (note 13).

As at 30 June 2019, the Group has pledged notes receivable of RMB10,095,000 (31 December 2018: RMB2,126,000) and intra-group notes receivable of RMB961,000,000 (31 December 2018: RMB275,000,000) to secure short-term loans of EUR64,000,000 and US$75,000,000 (31 December 2018: EUR15,000,000 and EUR30,000,000) (note 14).

The notes receivable are due within six months.

As at 30 June 2019, intra-group notes receivable of RMB720,000,000 (31 December 2018: RMB495,000,000) were discounted, and nil of notes receivable was discounted (31 December 2018: RMB7,722,000).

As at 30 June 2019, the Group endorsed certain notes receivable accepted by the certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade and other payables due to such suppliers with a carrying amount in aggregate of RMB859,266,000 (31 December 2018: RMB223,041,000) (the "Endorsement"). The Endorsed Notes have a maturity from one to six months as at 30 June 2019. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement").

In the opinion of the Directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with amount of RMB826,727,000 (31 December 2018: RMB188,867,000) (the "Derecognised Notes"). Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade and other payables settled by the Endorsed Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

The Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade and other payables settled with an amount of RMB32,539,000 as at 30 June 2019 (31 December 2018: RMB34,174,000) because the Directors of the Company believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes.

During the period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the continuing involvement, both during the period or cumulatively. The Endorsement has been made evenly throughout the period.

13. TRADE AND NOTES PAYABLES

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Trade payables	**284,217**	201,151
Notes payable	**283,968**	78,599
	568,185	279,750

An ageing analysis of the trade and notes payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Less than 3 months	**485,423**	263,980
Between 3 and 6 months	**75,579**	10,786
Between 6 and 12 months	**4,646**	2,779
Between 1 and 2 years	**1,115**	1,156
Over 2 years	**1,422**	1,049
	568,185	279,750

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

As at 30 June 2019, notes payable of RMB27,038,000 (31 December 2018: RMB45,273,000) were secured by the Group's notes receivable with a carrying amount of RMB2,968,000 (31 December 2018: RMB45,341,000) and the Group's intra-group notes receivable with a carrying amount of RMB24,070,000 (31 December 2018: Nil) (note 12).

As at 30 June 2019, notes payable of RMB102,800,000 (31 December 2018: RMB5,667,000) were secured by the Group's time deposit with a carrying amount of RMB102,800,000 (31 December 2018: RMB5,667,000).

As at 30 June 2019, notes payable of RMB154,130,000 (31 December 2018: RMB25,000,000) were secured by the Group's investments in financial products with a carrying amount of RMB154,130,000 (31 December 2018: RMB25,000,000).

The maturity date of the notes payable is within six months.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 30 June 2019

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans — secured			
RMB30,000,000 bank loan	1-Year LPR+0.04	4 March 2020	30,000
RMB20,000,000 bank loan	1-Year LPR+0.04	4 March 2020	20,000
RMB200,000,000 bank loan	1-Year LPR+0.04	24 April 2020	200,000
RMB200,000,000 bank loan	1-Year LPR+0.04	26 April 2020	200,000
RMB31,694,074 bank loan	4.35	14 August 2019	31,694
RMB9,966,116 bank loan	4.35	17 September 2019	9,966
RMB15,221,298 bank loan	4.35	6 October 2019	15,223
RMB23,023,204 bank loan	4.35	6 November 2019	23,023
RMB28,021,305 bank loan	4.35	6 December 2019	28,021
RMB50,000,000 bank loan	4.35	18 October 2019	50,000
RMB80,000,000 bank loan	4.35	22 October 2019	80,000
RMB80,000,000 bank loan	4.35	17 July 2019	80,000
RMB70,000,000 bank loan	4.35	19 July 2019	70,000
RMB100,000,000 bank loan	4.20	30 July 2019	100,000
RMB60,000,000 bank loan	4.35	20 August 2019	60,000
RMB70,000,000 bank loan	4.35	12 September 2019	70,000
RMB150,000,000 bank loan	1-Year LPR+0.04	17 April 2020	150,000
RMB94,000,000 bank loan	4.35	25 April 2020	94,000
HK$117,800,000 bank loan	1-Month HIBOR+1.50	14 July 2019	103,629
HK$175,000,000 bank loan	1-Month HIBOR+1.10	9 May 2020	156,340
EUR30,000,000 bank loan	3-Month EURIBOR+0.70	30 October 2019	234,510
EUR21,000,000 bank loan	3-Month EURIBOR+0.70	6 March 2020	164,157
EUR21,000,000 bank loan	3-Month EURIBOR+0.70	24 April 2020	164,157
EUR12,000,000 bank loan	3-Month EURIBOR+0.80	12 April 2020	93,804
EUR9,500,000 bank loan	3-Month EURIBOR+0.80	15 April 2020	74,261
EUR22,000,000 bank loan	1-Year LIBOR +1.01	27 March 2020	171,974
US$30,000,000 bank loan	6-Month LIBOR+1.10	5 December 2019	206,241
US$15,000,000 bank loan	3-Month LIBOR+0.80	24 April 2020	103,120
US$40,000,000 bank loan	3-Month LIBOR+0.85	24 June 2020	274,988
US$20,000,000 bank loan	1-Year LIBOR+1.30	24 June 2020	137,494
Discounted notes receivable	3.25	10 July 2019	50,000
	3.45	20 December 2019	100,000
	3.65	16 January 2020	100,000
	3.30	14 January 2020	50,000
	3.65	20 August 2019	50,000
	3.45	27 February 2020	60,000
	3.32	20 March 2020	100,000
	3.40	3 April 2020	70,000
	3.50	18 July 2019	140,000

	Effective interest rate (%)	Maturity	*RMB'000*
Current portion of long term bank loans — secured			
EUR6,000,000 bank loan	3-Month EURIBOR+1.70	13 August 2019	46,902
EUR9,000,000 bank loan	3-Month EURIBOR+1.70	14 February 2020	70,353
US$13,800,000 bank loan	3-Month LIBOR+2.85	30 June 2020	94,871
US$1,800,000 bank loan	3-Month LIBOR+2.85	30 June 2020	12,526
Current portion of other borrowings — unsecured			18,226
			4,159,480

	Effective interest rate (%)	Maturity	*RMB'000*
Non-current			
Bank loans — secured			
RMB150,000,000 bank loan	4.90	21 December 2020 – 6 June 2025	150,000
EUR99,000,000 bank loan	3-Month EURIBOR+1.70	14 August 2020 – 14 August 2023	773,883
US$15,657,000 bank loan	3-Month LIBOR+2.85	30 June 2021 – 30 June 2025	107,650
US$124,200,000 bank loan	3-Month LIBOR+2.85	30 June 2021 – 30 June 2025	853,838
Other borrowings — unsecured			21,152
			1,906,523
			6,066,003

As at 31 December 2018

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans — secured			
RMB400,000,000 bank loan	4.35	25 April 2019	400,000
RMB100,000,000 bank loan	4.35	5 February 2019	100,000
RMB50,000,000 bank loan	5.00	15 February 2019	50,000
RMB80,000,000 bank loan	5.00	22 February 2019	80,000
RMB69,000,000 bank loan	5.00	18 January 2019	69,000
RMB81,000,000 bank loan	5.00	16 January 2019	81,000
RMB100,000,000 bank loan	5.09	25 September 2019	100,000
RMB60,000,000 bank loan	4.40	22 February 2019	60,000
RMB5,000,000 bank loan	5.01	12 June 2019	5,000
RMB70,000,000 bank loan	5.00	12 February 2019	70,000
HK$117,800,000 bank loan	1-Month HIBOR+1.50	11 March 2019	103,216
US$299,003,804 bank loan	1-Month LIBOR+1.40	26 June 2019	2,052,111
US$30,000,000 bank loan	6-Month LIBOR+1.10	5 December 2019	205,895
US$25,000,000 bank loan	1-Year LIBOR+1.35	9 July 2019	171,580
EUR21,000,000 bank loan	1-Year EURIBOR+1.35	1 August 2019	164,792
EUR30,000,000 bank loan	3-Month EURIBOR+0.70	30 October 2019	235,419
EUR26,000,000 bank loan	3-Month EURIBOR+0.70	15 May 2019	204,030
EUR23,200,000 bank loan	1-Year EURIBOR+1.50	23 April 2019	182,057
EUR22,000,000 bank loan	3-Month EURIBOR+0.70	5 March 2019	172,641
EUR15,000,000 bank loan	6-Month EURIBOR+1.45	14 May 2019	117,710
EUR8,800,000 bank loan	1-Year EURIBOR+1.50	18 April 2019	69,056
Discounted notes receivable	3.90	27 January 2019	7,722
	3.75	26 January 2019	15,000
	4.35	28 June 2019	10,000
	3.85	18 October 2019	100,000
	3.65	18 October 2019	100,000
	3.20	18 October 2019	110,000
	3.30	18 October 2019	30,000
	3.35	18 October 2019	30,000
	3.45	18 October 2019	100,000
Current portion of long term bank loans — secured			
EUR6,000,000 bank loan	3-Month EURIBOR+1.70	13 February 2019	47,084
EUR6,000,000 bank loan	3-Month EURIBOR+1.70	13 August 2019	47,084
Current portion of long term finance lease payables	2.20	31 December 2019	150
			5,290,547

	Effective interest rate (%)	Maturity	*RMB'000*
Non-current			
Bank loans — secured			
EUR108,000,000 bank loan	3-Month EURIBOR+1.70	14 February 2020 – 14 August 2023	847,508
Finance lease payables	2.20	1 January 2020 – 30 August 2020	88
			847,596
			6,138,143

Certain of the Group's bank loans are secured by:

(i) the pledge of certain of the Group's time deposits of RMB565,000,000 (31 December 2018: RMB841,073,000);

(ii) the pledge of certain of the Group's notes receivable of RMB10,095,000 (31 December 2018: RMB2,126,000) (note 12);

(iii) the pledge of certain of the Group's intra-group notes receivable of RMB961,000,000 (31 December 2018: RMB275,000,000) (note 12); and

(iv) the pledge of certain of the Group's property, plant and equipment of RMB211,173,000 (31 December 2018: Nil) (note 11).

15. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Company	**Relationship**
Steward Cross Pte. Ltd. ("Steward Cross")	Associate
Shandong Boan Biological Technology Co., Ltd. ("Shandong Boan")	An entity controlled by certain Directors

(a) The Group had the following transactions with related parties during the six months ended 30 June 2019 and 2018:

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Sales of products to Steward Cross	*(i)*	**2,680**	2,785
Sales of inventories to Shandong Boan	*(ii)*	**—**	846
Milestone payment for the acquisition of biological antibody drugs under research and development from Shandong Boan	*(iii)*	**200,000**	—

Notes:

(i) The sales to Steward Cross were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The sales to Shandong Boan were made on terms equivalent to those that prevail in arm's length transaction.

(iii) The consideration was determined at the price mutually agreed between the parties.

(b) Outstanding balances with related parties:

	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Due from related parties		
Steward Cross	**1,519**	2,135
Shandong Boan	**1,838**	681
	3,357	2,816

The balances are unsecured, interest-free and have no fixed terms of repayment.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group focuses on developing, producing, marketing and selling innovative pharmaceutical products in four of the largest and fast growing therapeutic areas in the PRC, the United States ("the U.S."), Europe and other countries or districts, namely oncology, central nervous system ("CNS"), cardiovascular system, alimentary tract and metabolism. The Group has a portfolio of over 30 products, covering over 80 countries and regions around the world, including large pharmaceutical markets — China, the U.S., Europe and Japan, as well as fast growing emerging markets. During the six months ended 30 June 2019, the Group's sales of innovative pharmaceutical products maintained a strong growth momentum as the Group further deepened its market penetration and expanded the market share of its key products. The Group recorded a strong revenue growth of 42.1% in the first half of 2019 as compared to that of 2018. The Group continually invests in research and development ("R&D") to maintain its competitiveness, and has a robust product pipeline including 41 China product candidates and 10 U.S., Europe and Japan product candidates. The R&D costs increased by 30.6% in the reporting period when compared with that of year 2018.

Market Positioning

In China, the Group's key products are competitively positioned in four key therapeutic areas and have gained top-ranking market shares measured by revenue. According to IQVIA, oncology-related pharmaceutical products constituted the second largest market in China for pharmaceutical products in the first half of 2019. The Group's portfolio of oncology products includes Lipusu, the best-selling domestic pharmaceutical product for cancer treatment in China in the first half of 2019 according to IQVIA, as well as CMNa, a Class I New Chemical Drug and the only China National Medical Products Administration (the "NMPA", formerly known as the China Food and Drug Administration) approved sensitiser for cancer radiotherapy in China. IQVIA data showed that cardiovascular system-related pharmaceutical products constituted the third largest market for pharmaceutical products in the PRC in the first half of 2019. According to IQVIA, the Group's key cardiovascular system products, Xuezhikang and Maitongna, were the most popular Natural medicine for the treatment of hypercholesterolaemia and the best-selling vasoprotective pharmaceutical product in China in the first half of 2019, respectively. According to IQVIA, alimentary tract and metabolism-related pharmaceutical products constituted the largest market for pharmaceutical products in the PRC in the first half of 2019. According to IQVIA, the Group was the second largest domestic pharmaceutical manufacturer of oral diabetic medications in China in the first half of 2019 by revenue. IQVIA data showed that CNS-related pharmaceutical products constituted the fourth largest market for pharmaceutical products in the PRC in the first half of 2019. The Group's key product Seroquel was the fourth largest product in schizophrenia therapeutic area and the largest quetiapine product in terms of sales in the PRC in the first half of 2019. Seroquel XR is the only quetiapine extended release formulation in the PRC.

For international markets, the Group's products are mainly positioned in CNS therapeutic area, including Seroquel, Seroquel XR, Rivastigmine patches, Fentanyl patches and Buprenorphine patches.

For the six months ended 30 June 2019, the Group's revenue from sales of oncology products, alimentary tract and metabolism products, cardiovascular system products and CNS products increased to RMB1,404.8 million, RMB552.2 million, RMB483.6 million and RMB613.6 million respectively, representing a growth rate of 29.0%, 17.3%, 32.9% and 182.6% as compared to the six months ended 30 June 2018 for the respective therapeutic areas, while revenue from other products increased by 21.5% to RMB76.7 million.

Key Products

The Company believes that the Group's seven key products are competitively positioned for high prevalence medical conditions that are expected to grow stably globally.

Lipusu® (力撲素®)

Lipusu is the Group's proprietary formulation of paclitaxel using an innovative liposome injection delivery vehicle and a chemotherapy treatment of certain types of cancer. According to IQVIA, the market for oncology pharmaceutical products in the PRC was RMB29.8 billion in the first half of 2019 and by revenue, Lipusu was the most popular domestic pharmaceutical product for cancer treatment in China in the first half of 2019, as well as the most popular paclitaxel product in China in the first half of 2019. As of 30 June 2019, Lipusu represented the first and only paclitaxel liposome product approved for sale globally.

CMNa® (希美納®)

CMNa is sodium glycididazole, a proprietary compound that the Group prepares in injectable form and is indicated for use in connection with radiotherapy for certain solid tumours. It is a Class I New Chemical Drug and the only NMPA approved sensitiser for cancer radiotherapy in China. According to the NMPA, CMNa was the only glycididazole product available for sale in the first half of 2019. An independent third party study in 2009 concluded that the use of CMNa for the treatment of certain cancers increased the probability of complete or partial remission and reduced overall treatment costs.

Xuezhikang® (血脂康®)

Xuezhikang is the Group's proprietary Natural medicine derived from red yeast rice indicated for hypercholesterolaemia and, according to the NMPA, the Group was the only Xuezhikang manufacturer in China as of 30 June 2019. According to IQVIA, the market for pharmaceutical products indicated for hypercholesterolaemia and the lowering of blood cholesterol triglycerides and low density lipoprotein cholesterol in China was estimated to be approximately RMB8.5 billion in the first half of 2019. According to IQVIA, Xuezhikang ranked as the most popular Natural medicine for the treatment of hypercholesterolaemia in China in the first half of 2019.

Maitongna® (麥通納®)

Maitongna is sodium aescinate in injectable form and is indicated for the treatment of cerebral edema and edema caused by trauma or surgery as well as for the treatment of venous reflux disorder. According to IQVIA, the market for vasoprotective pharmaceutical products in China was estimated to be approximately RMB1.5 billion in the first half of 2019. Maitongna was the best-selling sodium aescinate product in China in the first half of 2019 and ranked as the best-selling domestically manufactured vasoprotective pharmaceutical product in China in the first half of 2019.

Bei Xi® (貝希®)

Bei Xi is acarbose in capsule form and is indicated for lowering blood glucose in patients with type 2 diabetes mellitus. According to the NMPA, the Group was the only manufacturer of acarbose in capsule form in the first half of 2019. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB2.3 billion in the first half of 2019 and Bei Xi ranked as the third most popular acarbose product in China in the first half of 2019.

Rivastigmine Transdermal Patches (the "Rivastigmine Patch")

The Rivastigmine Patch is rivastigmine in transdermal patches form approved by the Food and Drug Administration of the United States (the "U.S. FDA") and is indicated for mild to moderate dementia of the Alzheimer's type and dementia due to Parkinson's disease.

Seroquel® (思瑞康®) and Seroquel XR® (思瑞康緩釋片®)

Seroquel (quetiapine fumarate, immediate release, IR) and Seroquel XR (extended release formulation) are atypical anti-psychotic medicines with antidepressant properties. The main indications for Seroquel are the treatment of schizophrenia and bipolar disorder. Seroquel XR is also approved in some markets for major depressive disorder and generalised anxiety disorder. According to IQVIA, Seroquel was the fourth largest product in schizophrenia therapeutic area and the largest quetiapine product in the PRC in the first half of 2019.

R&D

The Group's R&D activities are organised around four platforms — long-acting and extended release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. Besides, the Group has built wide collaboration with China and multinational companies in the development of monoclonal antibodies and cell therapies areas. The Group balances clinical development risk by strategically allocating its efforts between proprietary formulations of proven compounds and new chemical entities. The Group believes that its R&D capabilities will be the driving force behind the Group's long-term competitiveness, as well as the Group's future growth and development. As at 30 June 2019, the Group's R&D team consisted of 596 employees, including 63 Ph.D. degree holders and 277 Master's degree holders in medical, pharmaceutical and other related areas. As at 30 June 2019, the Group had been granted over 232 patents and had over 57 pending patent applications in the PRC, as well as over 671 patents and over 140 pending patent applications overseas.

Through the Group's four platforms and the corresponding R&D capabilities, the Group focuses on R&D projects not only within its core strength therapeutic areas of oncology, cardiovascular and alimentary tract and metabolism, but also expands into the CNS therapeutic area. As at 30 June 2019, the Group had a pipeline of 41 PRC product candidates in various stages of development. These candidates included 16 oncology products, 8 cardiovascular and metabolism products, as well as 15 CNS products.

Also, the Group had a pipeline of 10 candidate products in the U.S., Europe and Japan in various stages of development. In the U.S., one product candidate (LY03004) has filed New Drug Application ("NDA") and five candidates (LY03003, LY03005, LY01005, LY03010, LY02405) are in different clinical stages. In Europe, one product candidate (LY30410) has completed pivotal study in Germany. In Japan, one product (LY03003) has commenced clinical trials, one product (LY03005) has submitted clinical trial application and several products are targeting to commence application. Furthermore, the Group is registering its products in Brazil, New Zealand and other countries through various cooperation patterns such as co-development with its partners or licensing out, etc.

In March 2019, the Rotigotine Extended Release Microspheres for Injection (LY03003) has begun phase I clinical trial in Japan.

In March 2019, the Group has successfully submitted the NDA to the U.S. FDA for Rykindo® (LY03004), an Extended-Release Microspheres for Injection in the U.S. and the U.S. FDA has accepted the filing of the NDA of Rykindo® in May. To the Group's knowledge, this is the first NDA submission of a new formulation drug to the U.S. FDA by a Chinese pharmaceutical company.

In March 2019, the Group received approval from the NMPA to initiate clinical trials in China in relation to the Recombinant Human Vascular Endothelial Growth Factor Receptor-antibody Fusion Protein Ophthalmic Injection (LY09004).

In April 2019, the Group commenced phase III clinical trial in China in relation to the Recombinant Anti-RANKL Human Monoclonal Antibody Injection (LY06006).

In April 2019, the registration application of Pramipexole Dihydrochloride Extended Release Tablets has been accepted by the NMPA.

In May 2019, the pivotal study of Rivastigmine Multi-day Transdermal Patch (LY30410), an innovative delivery system drug for the treatment of Alzheimer's disease, has been completed in Germany.

In June 2019, the Acarbose Capsules (brand name "Bei Xi" (貝希)) was granted approval by NMPA for passing the Consistency of Quality and Efficacy Evaluation of Generic Drugs (the "Consistency Evaluation").

In July 2019, the daily-administered Rivastigmine Transdermal Patch in dosage strength 13.3mg/24h, which was submitted as a line extension to the existing marketing authorisations for its lower dosage strengths (4.6 and 9.5mg/24h), was approved under the Decentralised Procedures (DCP) by the German Federal Institute for Drugs and Medical Devices ("BfArM").

In August 2019, the Group submitted the clinical trial application in Japan for Ansofaxine Hydrochloride Extended Release Tablets (LY03005), a new chemical drug for the treatment of major depressive disorder.

Sales, Marketing and Distribution

The Group has established an extensive nationwide sales and distribution network and sold its products to 30 provinces, autonomous regions and municipalities throughout the PRC in the first half of 2019. The Group's sales, marketing and distribution functions are conducted around 1,000 sales and marketing personnel, a network of approximately 1,700 distributors that collectively enabled the Group to sell its products to over 13,700 hospitals, which comprised approximately 1,500 or approximately 78.0% of all Class III hospitals, approximately 3,900 or approximately 55.0% of all Class II hospitals and approximately 8,300 or approximately 47.0% of all Class I and other hospitals and medical institutions, in the PRC in the first half of 2019. The Group believes that its sales and marketing model and extensive coverage of hospitals with other medical institutions represent a significant competitive advantage and a culmination of both academic promotion by the Group's in-house personnel in different regions and partnerships with high-quality distributors across China. The Group also believes that its sales and marketing model provides a solid foundation for the Group to continue to enhance market awareness of its brand and expand the market reach of its products.

The international footprint of the Group covers 80 countries, including the U.S., and certain countries in Europe. The Group has commercial offices in the U.S., the United Kingdom, Switzerland, Japan, Hong Kong, Singapore and Malaysia. The Group also has strong sales partnerships with more than 50 partners throughout the world.

Merger & Acquisition ("M&A") and Collaborations

In January 2019, the Group entered into an agreement with AstraZeneca, pursuant to which, AstraZeneca granted the right to promote the Group's Xuezhikang capsules in China. Under the agreement, AstraZeneca is responsible for the promotion of Xuezhikang capsules in the mainland China on an exclusive basis, while the Group continues to hold rights in relation to the product, such as asset rights, the right to sell, registration permit, all intellectual property rights and rights other than the right to promote. Under the agreement, both parties agreed that the sales of Xuezhikang capsule in China shall be maintained at a double digits Compound Annual Growth Rate ("CAGR") in the next ten years, significantly higher than the average growth rate of the market for the treatment of hypercholesterolaemia in China. Besides, both parties agreed to discuss potential registration and commercialisation opportunities of Xuezhikang capsules in other markets around the world (including but not limited to the U.S., Europe and other emerging markets) and to explore opportunities for closer ties of cooperation to enhance each other's future business development. In August 2019, Luye Pharma

(Singapore) Pte Ltd entered into an agreement with AstraZeneca Singapore Pte Ltd, pursuant to which, AstraZeneca was granted the right to promote the Group's Lipascor® Capsules in Singapore. Lipascor® is the registered brand name of Xuezhikang capsules in Singapore.

In April 2019, the Group and Pharma Mar S.A. ("PharmaMar") entered into a license development and commercialization agreement with respect to a Phase III new innovative anticancer drug Zepsyre® (Lurbinectedin) ("the PharmaMar Agreement"). Pursuant to the terms of the PharmaMar Agreement, the Company will have the exclusive rights to develop and commercialize Zepsyre® for small cell lung cancer and all other indications in China. In addition, the Company will also have the right to request for the transfer of the technology with respect to the manufacturing of Zepsyre® to the Company in China during the term of the PharmaMar Agreement.

Lurbinectedin (PM1183) is a compound under clinical investigation. It is an inhibitor of RNA polymerase II. This enzyme is essential for the transcription process that is over-activated in tumors with transcription addiction. Lurbinectedin has been granted orphan drug designation from the U.S. FDA for the treatment of patients with small cell lung cancer. In May 2019, the abstract titled "Efficacy and safety profile of Lurbinectedin in second-line SCLC patients: results from a phase II single-agent trial" has been elected for this year's "Best of ASCO" (American Society of Clinical Oncology) meeting.

Outlook

Due to policy and market factors, the Chinese pharmaceutical industry remains at low growth rate in the first half of 2019. According to IQVIA, the growth rate of the Chinese pharmaceutical market was 11.0% in the first half of 2019, compared to 3.4% in that of 2018. The Group outperformed the market in both two periods with growth rate of 33.0% and 22.7%, respectively.

However, since it is a highly competitive industry, inevitably all the pharmaceutical companies are facing intense competition from other market participants. Furthermore, the industry is highly constrained by the government policy, which may cause great uncertainty during the development of pharmaceutical companies. In recent years, policies such as tendering and reimbursement are posing great impacts on the industry.

For the six months ended 30 June 2019, the Group continued to introduce measures to improve its profitability and enhance efficiency in key aspects of its operations. With respect to its sales and marketing activities, the Group will continue to undertake a series of changes and initiatives to enable it to focus its marketing and promotion resources on the regions and products where marketing and promotion expenditure yields higher returns, thereby increasing its overall sales efficiency. The Group also intends to increase its profitability through production efficiency and to continuously upgrade its production facilities. In addition, the Group intends to further strengthen its R&D capabilities and develop its product candidates.

The Group also put a lot of effort on the academic studies of the marketed products. The Acarbose Capsules (brand name "Bei Xi" (貝希)) has been granted approval by the NMPA for passing the Consistency Evaluation. The Group's major products Lipusu has been included as a first-line drug in 2019 Chinese Society of Clinical Oncology Guidelines on Diagnosis and Treatment of Primary Lung Cancer in April 2019. The Group believes that the inclusion of Lipusu® in the Guidelines as a first-line drug represents a high recognition of its clinical value, which will significantly increase its penetration into the relevant indications, and will inject into its long-term growth with momentum.

As described above, during the six months ended 30 June 2019, the Group has made remarkable progresses in R&D fields. In China, LY06006 commenced phase III clinical trials; LY09004 has been approved by the NMPA to initiate clinical trials. The registration application of Pramipexole Dihydrochloride Extended Release Tablets has been accepted by the NMPA. Internationally, Rykindo® (LY03004) has successfully submitted NDA to the U.S. FDA and the U.S. FDA has accepted its filing of the NDA. LY30410 has been completed the pivotal study in Germany. The Rivastigmine Transdermal Patch in dosage strength 13.3mg/24h, has been approved under the Decentralised Procedures (DCP) by the BfArM. LY03003 has commenced Phase I Clinical Trial and LY03005 has submitted the clinical trial application in Japan.

For collaborations, the collaboration with AstraZeneca on Xuezhikang's promotion rights in mainland China will accelerate Xuezhikang's growth and improve its profitability. Besides, AstraZeneca and the Group will discuss potential registration and commercialisation opportunities of Xuezhikang capsules in other markets around the world.

The license in the exclusive rights to develop and commercialize Zepsyre® for small cell lung cancer and all other indications in China will enrich the Group's innovative product portfolio and leverage its sales and marketing capability in oncology therapeutic area.

For China sales and distribution, the Group's penetration into lower-tier hospitals is deepening and the Group's internal force is growing fast. Backed by sales of Seroquel and Seroquel XR and the upcoming Rivastigmine patch and LY03004, the Group has built a CNS sales team of 70 representatives. The collaboration with AstraZeneca on Xuezhikang enabled the Group to leverage AstraZeneca's cardiovascular team of 3,000 representatives and accelerate the growth of the product.

Internationally, the acquisition of Seroquel will further expand the Group's sales network and build up the commercialisation capability in developing countries.

For manufacturing, the Group is working on establishing a global quality control and quality assurance system as well as information platform to ensure the successful integration of the Group's global manufacturing facility system. The new oncology drug injection facility in Nanjing site has finished construction and is expected to obtain the Good Manufacture Practice ("GMP") certificate by the NMPA within the year. The new transdermal patch facility in Yantai has finished construction and was put into pilot production. The manufacturing site for transdermal patches in Miesbach, Germany, attained compliance with the Falsified Medicines Directive (Directive 2011/62/EC) of the European

Union (also known as serialisation requirement) in February 2019. A total of 14 inspections and audits by government authorities and customers in the reporting period underlined the compliance with GMP standards.

Management of the Group is confident that, with the Group's strong, competitive positions of its innovative products, its strong pipeline of product candidates, its proven R&D capabilities and its sales and marketing networks, as well as its capabilities to execute strategic acquisitions, the Group is well positioned to enter a new business phase.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, the Group's revenue amounted to approximately RMB3,130.9 million, as compared to RMB2,203.8 million for the six months ended 30 June 2018, representing an increase of approximately RMB927.1 million, or 42.1%. The increase is mainly attributable to the sales growth of the Group's key products.

For the six months ended 30 June 2019, the Group's revenue from sales of oncology products increased to RMB1,404.8 million, as compared to RMB1,088.8 million for the six months ended 30 June 2018, representing an increase of approximately RMB316.0 million, or 29.0%, primarily attributable to the increase in sales volume of various oncology products of the Group.

For the six months ended 30 June 2019, revenue from sales of cardiovascular system products increased to RMB483.6 million, as compared to RMB363.9 million for the six months ended 30 June 2018, representing an increase of approximately RMB119.7 million, or 32.9%, primarily attributable to the increase in sales volume of various cardiovascular system products of the Group.

For the six months ended 30 June 2019, revenue from sales of alimentary tract and metabolism products increased to RMB552.2 million, as compared to RMB470.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB81.5 million, or 17.3%, primarily attributable to the increase in sales volume of various alimentary tract and metabolism products of the Group.

For the six months ended 30 June 2019, revenue from sales of CNS products increased to RMB613.6 million, as compared to RMB217.1 million for the six months ended 30 June 2018, representing a increase of approximately RMB396.5 million or 182.6%, primarily attributable to our newly acquired business.

For the six months ended 30 June 2019, revenue from sales of other products increased to RMB76.7 million, as compared to RMB63.2 million for the six months ended 30 June 2018, representing an increase of approximately RMB13.5 million, or 21.5%, primarily attributable to the increase in sales volume of various other products of the Group.

Cost of Sales

The Group's cost of sales increased from RMB447.3 million for the six months ended 30 June 2018 to approximately RMB699.0 million for the six months ended 30 June 2019, which accounted for approximately 22.3% of the Group's total revenue for the same period.

Gross Profit

For the six months ended 30 June 2019, the Group's gross profit increased to RMB2,431.9 million, as compared to RMB1,756.5 million for the six months ended 30 June 2018, representing an increase of approximately RMB675.4 million, or 38.5%. The gross profit margin of 77.7%, as compared to 79.7% for the six month ended 30 June 2018 decreased slightly mainly due to higher sales of slightly lower margin products.

Other Income and Gains

The Group's other income and gains mainly comprised of government grants, interest income and investment income. For the six months ended 30 June 2019, the Group's other income and gains increased to RMB164.1 million, as compared to RMB114.8 million for the six months ended 30 June 2018, representing an increase of approximately RMB49.3 million, or 42.9%. The increase is mainly attributable to increase in government grants recognised during the period, higher interest income and higher foreign exchange gain. The increase is offset by lower investment income during the six months ended 30 June 2019, as compared to the corresponding period of 2018.

Selling and Distribution Expenses

The Group's selling and distribution expenses consisted of expenses that were directly related to the Group's marketing, promotion and distribution activities. For the six months ended 30 June 2019, the Group's selling and distribution expenses amounted to RMB1,008.7 million, as compared to RMB729.8 million for the six months ended 30 June 2018, representing an increase of RMB278.9 million, or 38.2%. The increase was mainly attributable to increased promotional activities for the Group's products. On the other hand, as a percentage of revenue the Group's selling and distribution expenses decreased from 33.1% for the six months ended 30 June 2018 to 32.2% for the six months ended 30 June 2019, primarily as a result of the lower selling and distribution expense margin to revenue for our newly acquired business.

Administrative Expenses

The Group's administrative expenses primarily consisted of staff cost, general operating expenses, conference and entertainment expenses, travel and transportation expenses, depreciation, amortisation and impairment loss, auditor's remuneration, consulting expenses, bank charges, taxation and other administrative expenses. For the six months ended 30 June 2019, the Group's administrative expenses amounted to approximately RMB258.0 million, as compared to RMB217.3 million for the six months ended 30 June 2018, representing an increase of approximately RMB40.7 million, or 18.7%. The slight increase is primarily attributable to higher staff cost during the period.

Other Expenses

The Group's other expenses primarily consisted of its R&D costs, changes in fair value of investments, donations, loss on disposals of property, plant and equipment and miscellaneous expenses. For the six months ended 30 June 2019, the Group's other expenses amounted to approximately RMB277.6 million, as compared to RMB200.0 million for the six months ended 30 June 2018, representing an increase of approximately RMB77.6 million, or 38.8%. The increase was mainly due to increase in R&D costs during the period.

Finance Costs

For the six months ended 30 June 2019, the Group's finance costs amounted to RMB113.2 million, as compared to RMB50.5 million for the six months ended 30 June 2018, representing an increase of approximately RMB62.7 million, or 123.9%. The increase was mainly due to the higher level of monthly average outstanding bank borrowings during the six months ended 30 June 2019 as compared to the corresponding period of 2018.

Income Tax Expense

For the six months ended 30 June 2019, the Group's income tax expense amounted to RMB168.1 million, as compared to RMB110.9 million for the six months ended 30 June 2018, representing an increase of RMB57.2 million, or 51.6%. The effective tax rate for the six months ended 30 June 2019 and 30 June 2018 were 17.9% and 16.4%, respectively.

Net Profit

The Group's net profit for the six months ended 30 June 2019 was approximately RMB770.8 million, as compared to RMB563.2 million for the six months ended 30 June 2018, representing an increase of approximately RMB207.6 million, or 36.9%.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As at 30 June 2019, the Group had net current assets of approximately RMB1,778.7 million, as compared to approximately RMB472.4 million as at 31 December 2018. The current ratio of the Group increased slightly to approximately 1.2 as at 30 June 2019 from approximately 1.1 as at 31 December 2018. The increase in net current assets was mainly attributable to lower levels of loan and borrowings in current liability.

Borrowings and Pledge of Assets

As at 30 June 2019, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB6,066.0 million, as compared to approximately RMB6,138.1 million as at 31 December 2018. Amongst the loans and borrowings, approximately RMB4,159.5 million are repayable within one year, and approximately RMB1,906.5 million are repayable after one year. RMB1,621.3

million of the loans and borrowings of the Group carried interest at fixed interest rate. The increase in loans and borrowings is mainly for working capital of the Group. The bank loans were secured by the Group's time deposits, notes receivable and property, plant and equipment. As at 30 June 2019, the Group's borrowings were primarily denominated in RMB, Euro, U.S. dollar, and Hong Kong dollar, and the cash and cash equivalents were primarily denominated in RMB, U.S. dollar and Euro.

Gearing Ratio

As at 30 June 2019, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to 71.2% from 77.4% as at 31 December 2018. The decrease was primarily due to a decrease in the Group's total borrowings taken during the reporting period.

Contingent Liabilities

As at 30 June 2019, the Group had no significant contingent liabilities.

Share Award Scheme (the "Scheme")

The Company adopted the Scheme on 10 January 2017. The purpose of the Scheme is to recognise contributions by certain employees, including any executive director of any member of the Group except for the current executive Directors and to provide them with incentives in order to retain them for the continuing operation and development of the Group and to attract suitable personnel for the further development of the Group. During the six months ended 30 June 2019, the Board has granted to the selected employees an aggregate of 25,206,000 shares under the Scheme, and an aggregate of 63,028,000 shares were awarded pursuant to the Scheme as at 30 June 2019.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2019, the Group did not have any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group does not have other plans for material investments or capital assets.

SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

Issuance of 2024 Bonds and Utilisation of 2019 Issue Mandate

On 9 July 2019, the Company issued US$300,000,000 1.50 per cent convertible bonds due 2024 (the "2024 Bonds"). For further details of the 2024 Bonds, please refer to the announcements of the Company dated 24 June 2019 and 9 July 2019. As disclosed in the poll results announcement of the Company dated 12 June 2019, resolutions were passed at the annual general meeting of the Company approving the giving of a general mandate (the "2019 Issue Mandate") to the Directors to allot, issue and deal with additional shares not exceeding 20% of the issued share capital of the Company, which limit is extended by the number of shares repurchased by the Company. On 16 July 2019, 6,000,000 Shares were cancelled in respect of shares repurchased by the Company under the previous general mandate to repurchase Shares (approved in the annual general meeting of the Company held on 11 June 2018). As at the date of this announcement, the issued share capital of the Company comprised 3,268,965,343 Shares, and the Company is allowed to allot and issue a maximum of 653,793,068 new Shares under the 2019 Issue Mandate. Based on the initial conversion price of HK$8.15, the conversion shares in respect of 2024 Bonds are expected to utilise approximately 287,657,668 Shares under the 2019 Issue Mandate, representing approximately 44.00% of the maximum number of Shares that may be allotted and issued under the 2019 Issue Mandate.

LEGAL PROCEEDINGS

In the ordinary course of business of the Group, the Group may from time to time be involved in legal proceedings. As at the date of the this announcement, the Group was involved in the following legal proceedings: (i) the previous distributor of "Seroquel" in Mainland China has commenced arbitration against the Group disputing the Group's basis of terminating the distribution agreement with such distributor; and (ii) in connection with the LY03004 NDA, the patent holders and Risperidone NDA holder have brought a patent infringement litigation against the Group under Hatch-Waxman Act of the U.S., and the Group is working closely with its professional advisers, including U.S. patent counsels to handle these matters. Based on the information currently available to the Group and its preliminary assessment, the Board does not expect any of the above mentioned legal proceedings would have any material adverse impact on the existing business operations and financial position of the Group taken as a whole.

INTERIM DIVIDEND

The Board declared an interim dividend of RMB0.059 (equivalent o HK$0.067) per share for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB0.043 (equivalent to HK$0.051)), totalling approximately RMB191,654,000, to the shareholders of the Company whose names appear on the Company's register of shareholders on 13 September 2019. The interim dividend is expected to be paid on or around 30 September 2019.

CLOSURE OF REGISTER OF SHAREHOLDERS

For determining the entitlement to the proposed interim dividend, the register of shareholders of the Company will be closed from 11 September 2019 to 13 September 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed interim dividend, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 10 September 2019.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance.

During the six months ended 30 June 2019, the Company has complied with all the applicable code provisions set out in the CG Code, save and except for the deviation from Code provision A.2.1 of the CG Code, which requires the roles of chairman and chief executive officer should be separate and performed by different individuals.

Under the current organisation structure of the Company, Mr. Liu Dian Bo is the Executive Chairman of the Board and the Chief Executive Officer. With extensive experience in the pharmaceutical industry, the Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") of Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has repurchased a total of 1,000,000 shares during the six months ended 30 June 2019. Save as the aforesaid repurchase of Shares, there was no purchase, sale and redemption of any listed securities of the Company or any of its subsidiaries during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited interim condensed consolidated financial statements and interim results announcement of the Group for the six months ended 30 June 2019 and recommended its adoption by the Board.

In addition, the independent auditor of the Company, Ernst & Young, has reviewed the unaudited interim results for the six months ended 30 June 2019 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.

PUBLICATION OF THE INTERIM RESULTS AND 2019 INTERIM REPORT ON THE WEBSITES OF THE SEHK AND THE COMPANY

This interim results announcement is published on the websites of the SEHK (*www.hkexnews.hk*) and the Company (*http://www.luye.cn*), and the 2019 interim report containing all the information required by the Listing Rules will be despatched to the shareholders and published on the respective websites of the SEHK and the Company in due course.

By order of the Board
LUYE PHARMA GROUP LTD.
LIU Dian Bo
Chairman

Hong Kong, 28 August 2019

As at the date of this announcement, the executive Directors of the Company are Mr. LIU Dian Bo, Mr. YUAN Hui Xian, Mr. YANG Rong Bing and Ms. ZHU Yuan Yuan; the non-executive Director is Mr. SONG Rui Lin; and the independent non-executive Directors are Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit and Mr. CHOY Sze Chung Jojo.