LUYE PHARMA GROUP LTD.

绿叶制药集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 02186)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue decreased by RMB818.3 million or 12.9% to RMB5,539.6 million, as compared to the year ended 31 December 2019.
- EBITDA decreased by RMB508.0 million or 21.3% to RMB1,877.1 million, as compared to the year ended 31 December 2019. Normalised EBITDA* decreased by RMB498.0 million or 20.3% to RMB1,951.7 million as compared to the year ended 31 December 2019.
- Gross profit decreased by RMB888.6 million or 18.2% to RMB3,990.6 million, as compared to the year ended 31 December 2019, and gross profit margin was 72.0%.
- Net profit decreased by RMB650.8 million or 48.1% to RMB703.3 million, as compared to the year ended 31 December 2019. Normalised net profit** decreased by RMB568.6 million or 38.4% to RMB910.8 million as compared to the year ended 31 December 2019.
- Profit attributable to shareholders decreased by RMB689.6 million or 49.4% to RMB706.6 million, as compared to the year ended 31 December 2019. Normalised profit attributable to shareholders** decreased by RMB607.2 million or 39.9% to RMB912.8 million as compared to the year ended 31 December 2019.
- Research and development expenses increased by RMB78.8 million or 11.1% to 789.9 million, as compared to the year ended 31 December 2019. Total research and development costs were RMB1,258.1 million (2019: RMB1,038.8 million) of which RMB468.3 million (2019: RMB327.7 million) was capitalized.
- Earnings per share was RMB22.17 cents compared to RMB43.58 cents for the year ended 31 December 2019.
- No dividend was proposed by the Board for the year ended 31 December 2020.

* Normalised EBITDA is defined as the EBITDA for the year excluding the equity-settled share award expense and fair value change on contingent consideration payable.

** Normalised net profit and profit attributable to shareholders is defined as the net profit and profit attributable to shareholders for the year excluding the equity-settled share award expense, fair value changes on contingent consideration payable and convertible bond interest expense.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Luye Pharma Group Ltd. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020** ***RMB'000***	**2019** *RMB'000* (Restated)
REVENUE	*5*	**5,539,641**	6,357,851
Cost of sales		**(1,549,027)**	(1,478,684)
Gross profit		**3,990,614**	4,879,167
Other income and gains	*5*	**403,290**	333,573
Selling and distribution expenses		**(1,663,893)**	(2,034,824)
Administrative expenses		**(521,482)**	(529,282)
Other expenses		**(844,079)**	(720,458)
Finance costs	*7*	**(424,002)**	(295,464)
Share of profit of an associate		**1,726**	1,214
PROFIT BEFORE TAX	*6*	**942,174**	1,633,926
Income tax expense	*8*	**(238,909)**	(279,829)
PROFIT FOR THE YEAR		**703,265**	1,354,097
Attributable to:			
Owners of the parent		**706,586**	1,396,174
Non-controlling interests		**(3,321)**	(42,077)
		703,265	1,354,097
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*10*	**22.17 cents**	43.58 cents
Diluted (RMB)	*10*	**22.12 cents**	43.34 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000* (Restated)
PROFIT FOR THE YEAR	**703,265**	1,354,097
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**54,985**	(11,754)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**54,985**	(11,754)
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	**3,561**	(13,287)
Remeasurement on defined benefit plan	**1,370**	(2,399)
Income tax effect	**(66)**	285
	1,304	(2,114)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**4,865**	(15,401)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**59,850**	(27,155)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**763,115**	1,326,942
Attributable to:		
Owners of the parent	**766,436**	1,369,019
Non-controlling interests	**(3,321)**	(42,077)
	763,115	1,326,942

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 ***RMB'000***	2019 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,677,698**	3,276,293
Advance payments for property, plant and equipment and other intangible assets		**323,678**	414,143
Right-of-use assets		**337,960**	256,208
Goodwill		**1,056,583**	1,038,068
Other intangible assets		**4,770,004**	4,685,303
Investment in an associate		**8,640**	6,346
Long-term receivables		**8,000**	—
Equity investments designated at fair value through other comprehensive income		**61,556**	64,257
Financial assets at fair value through profit or loss	*12*	**1,263**	1,263
Pledged time deposits		**300,000**	50,000
Deferred tax assets		**114,743**	93,859
Total non-current assets		**10,660,125**	9,885,740
CURRENT ASSETS			
Inventories		**612,303**	617,178
Trade and notes receivables	*11*	**1,553,089**	1,697,931
Prepayments, other receivables and other assets		**470,508**	300,110
Due from related parties	*15*	**—**	115,105
Financial assets at fair value through profit or loss	*12*	**1,431,907**	1,861,639
Restricted cash		**37,473**	36,643
Pledged time deposits		**1,890,776**	1,565,009
Time deposits with original maturity of over three months		**109,000**	1,001,000
Cash and cash equivalents		**3,865,385**	2,327,349
Total current assets		**9,970,441**	9,521,964

	Notes	2020 ***RMB'000***	2019 *RMB'000* (Restated)
CURRENT LIABILITIES			
Trade and notes payables	*13*	**485,262**	341,048
Other payables and accruals		**727,679**	1,087,883
Derivative financial instruments		**22,563**	—
Interest-bearing loans and borrowings	*14*	**5,642,855**	4,041,497
Government grants		**45,193**	17,493
Tax payable		**308,346**	203,800
Due to related parties	*15*	**2,196**	5,790
Dividend payable		**—**	5,000
Total current liabilities		**7,234,094**	5,702,511
NET CURRENT ASSETS		**2,736,347**	3,819,453
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,396,472**	13,705,193
NON-CURRENT LIABILITIES			
Convertible bonds		**1,810,930**	1,833,173
Interest-bearing loans and borrowings	*14*	**2,527,715**	2,677,120
Contingent consideration payables		**638,556**	—
Long-term payables		**52,199**	55,810
Government grants		**185,657**	133,054
Employee defined benefit obligation		**8,080**	7,880
Deferred tax liabilities		**74,320**	77,772
Total non-current liabilities		**5,297,457**	4,784,809
Net assets		**8,099,015**	8,920,384
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**417,991**	420,565
Treasury shares		**(279,558)**	(279,558)
Share premium		**1,042,005**	2,699,052
Equity component of convertible bonds		**292,398**	292,398
Reserves		**6,418,395**	5,777,874
		7,891,231	8,910,331
Non-controlling interests		**207,784**	10,053
Total equity		**8,099,015**	8,920,384

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. CORPORATE INFORMATION

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 located at Suite 3207, Champion Tower, 3 Garden Road, Central, Hong Kong.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have 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, derivative financial instruments and contingent consideration payables, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Restatement of the prior year's consolidated financial statements due to a business combination involving entities under common control

On 1 December 2019, Shandong Luye, a wholly-owned subsidiary of the Company, and Luye Investment Group Co. Ltd. ("LIG") entered into a sale and purchase agreement pursuant to which Shandong Luye has conditionally agreed to purchase and LIG agreed to sell its 98.0% equity interest in 山東博安生物技術有限公司 (Shandong Boan Biological Technology Co. Ltd.) ("Boan Biotech") for a total purchase price of up to RMB1,446,700,000 (approximately US$205,800,000). The total purchase price for the acquisition comprised an initial payment of RMB723,350,000 (approximately US$102,900,000), which was payable by the Group in cash upon completion or closely thereafter and two subsequent payments of RMB361,675,000 (approximately US$51,450,000) each payable only upon the grant by the competent authority in China of the marketing authorisation for LY01008 and LY06006, respectively. LY01008 and LY06006 are two biosimilar products under research and development by Boan Biotech. Shandong Luye obtained the control over Boan Biotech on 17 February 2020.

Since Shandong Luye and Boan Biotech are under common control of the controlling shareholder, Mr. Liu Dian Bo, before and after the business combination, the acquisition of Boan Biotech is considered as a business combination involving entities under common control. Accordingly, the Group applied the principles of merger accounting to account for the acquisition of Boan Biotech in preparing the consolidated financial statements of the Group.

By applying the principles of merger accounting, the consolidated financial statements of the Group also included the financial results of Boan Biotech as if it had been combined with the Group throughout the year ended 31 December 2020, and from the earliest date presented. Comparative figures as at 31 December 2019 and for the year ended 31 December 2019 have been restated as a result of such. All intra-group transactions and balances have been eliminated on consolidation.

The operating results previously reported by the Group for the year ended 31 December 2019 have been restated to include the operating results of Boan Biotech as set out below:

	As previously reported	**Boan Biotech**	**Elimination of inter-company transactions**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	6,357,596	255	—	6,357,851
Profit before tax	1,771,655	(138,953)	1,224	1,633,926
Profit for the year	1,491,826	(138,953)	1,224	1,354,097

The financial position previously reported by the Group at 31 December 2019 has been restated to include the assets and liabilities of Boan Biotech as set out below:

	As previously reported	**Boan Biotech**	**Elimination of inter-company transactions**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	9,954,095	329,132	(397,487)	9,885,740
Total current assets	9,359,843	164,649	(2,528)	9,521,964
Total non-current liabilities	4,395,609	389,200	—	4,784,809
Total current liabilities	5,546,487	542,892	(386,868)	5,702,511
Total equity	9,371,842	(438,311)	(13,147)	8,920,384

The cash flows previously reported by the Group for the year ended 31 December 2019 have been restated to include the cash flows of Boan Biotech as set out below:

	As previously reported	**Boan Biotech**	**Elimination of inter-company transactions**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents at beginning of year	1,672,865	24,498	—	1,697,363
Net cash flow from/(used in) operating activities	1,744,897	(22,268)	(300,000)	1,422,629
Net cash flow used in investing activities	(2,691,540)	(237,165)	300,000	(2,628,705)
Net cash flow from financing activities	1,606,756	236,838	—	1,843,594
Effect of exchange rate changes on cash and cash equivalents	(7,532)	—	—	(7,532)
Cash and cash equivalents at end of year	2,325,446	1,903	—	2,327,349

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments

affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's buildings have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB1,675,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

There is no significant effect on the amounts recognised in the financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was RMB1,056,583,000 (2019: RMB1,038,068,000).

Provision for expected credit losses ("ECLs") on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to deductible temporary differences as at 31 December 2020 was RMB114,743,000 (2019: RMB93,859,000).

Income tax

The Group is subject to income taxes in various regions. As a result, certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the corporate income tax and tax provisions over the period in which the differences are realised.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2020, the best estimate of the carrying amount of capitalised development costs was RMB1,005,396,000 (2019: RMB583,754,000).

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.

Year ended 31 December 2020

	Oncology drugs *RMB'000*	Cardio-vascular system drugs *RMB'000*	Alimentary tract and metabolism drugs *RMB'000*	Central nervous system drugs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*						
Sales to external customers	**2,235,178**	**1,004,474**	**733,414**	**1,379,622**	**165,090**	**5,517,778**
Out-licensing agreements	**—**	**—**	**—**	**21,863**	**—**	**21,863**
Total revenue	**2,235,178**	**1,004,474**	**733,414**	**1,401,485**	**165,090**	**5,539,641**
Segment results	**1,226,968**	**382,323**	**183,278**	**482,140**	**52,012**	**2,326,721**
Other income and gains						**403,290**
Administrative expenses						**(521,482)**
Other expenses						**(844,079)**
Finance costs						**(424,002)**
Share of profit of an associate						**1,726**
Profit before tax						**942,174**

Year ended 31 December 2019 (Restated)

	Oncology drugs *RMB'000*	Cardio-vascular system drugs *RMB'000*	Alimentary tract and metabolism drugs *RMB'000*	Central nervous system drugs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*						
Sales to external customers	2,811,518	1,043,225	1,004,585	1,339,125	159,398	6,357,851
Total revenue	2,811,518	1,043,225	1,004,585	1,339,125	159,398	6,357,851
Segment results	1,555,140	322,294	417,774	476,756	72,379	2,844,343
Other income and gains						333,573
Administrative expenses						(529,282)
Other expenses						(720,458)
Finance costs						(295,464)
Share of profit of an associate						1,214
Profit before tax						1,633,926

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 ***RMB'000***	2019 *RMB'000* (Restated)
Revenue from contracts with customers	**5,539,641**	6,357,851

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

For the year ended 31 December 2020

	Oncology drugs *RMB'000*	Cardio-vascular system drugs *RMB'000*	Alimentary tract and metabolism drugs *RMB'000*	Central nervous system drugs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Types of goods or services						
Sale of products	**2,235,178**	**1,004,474**	**733,414**	**1,379,622**	**165,090**	**5,517,778**
Out-licensing agreements	**—**	**—**	**—**	**21,863**	**—**	**21,863**
Total revenue from contracts with customers	**2,235,178**	**1,004,474**	**733,414**	**1,401,485**	**165,090**	**5,539,641**
Geographical markets						
Mainland China	**2,235,178**	**994,286**	**732,080**	**399,583**	**150,320**	**4,511,447**
Asia (other than Mainland China)	**—**	**10,188**	**1,334**	**492,759**	**921**	**505,202**
European Union	**—**	**—**	**—**	**242,426**	**359**	**242,785**
Other countries	**—**	**—**	**—**	**266,717**	**13,490**	**280,207**
Total revenue from contracts with customers	**2,235,178**	**1,004,474**	**733,414**	**1,401,485**	**165,090**	**5,539,641**
Timing of revenue recognition						
Transferred at a point in time	**2,235,178**	**1,004,474**	**733,414**	**1,401,485**	**165,090**	**5,539,641**
Total revenue from contracts with customers	**2,235,178**	**1,004,474**	**733,414**	**1,401,485**	**165,090**	**5,539,641**

For the year ended 31 December 2019 (Restated)

	Oncology drugs *RMB'000*	Cardio-vascular system drugs *RMB'000*	Alimentary tract and metabolism drugs *RMB'000*	Central nervous system drugs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Type of goods						
Sale of products	2,811,518	1,043,225	1,004,585	1,339,125	159,398	6,357,851
Total revenue from contracts with customers	2,811,518	1,043,225	1,004,585	1,339,125	159,398	6,357,851
Geographical markets						
Mainland China	2,811,518	1,033,513	998,156	336,913	140,824	5,320,924
Asia (other than Mainland China)	—	9,712	6,429	379,566	978	396,685
European Union	—	—	—	276,636	—	276,636
Other countries	—	—	—	346,010	17,596	363,606
Total revenue from contracts with customers	2,811,518	1,043,225	1,004,585	1,339,125	159,398	6,357,851
Timing of revenue recognition						
Transferred at a point in time	2,811,518	1,043,225	1,004,585	1,339,125	159,398	6,357,851
Total revenue from contracts with customers	2,811,518	1,043,225	1,004,585	1,339,125	159,398	6,357,851

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 ***RMB'000***	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**49,408**	47,783

(ii) ***Performance obligations***

Information about the Group's performance obligation is summarised below:

Sale of products

The performance obligation is satisfied upon acceptance of the goods and payment is generally due within one month to three months, extending up to six months for major customers.

Out-licensing agreements

The performance obligation is satisfied upon granting the licence or reaching a specific milestone and payment is generally due within 30 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**67,021**	49,408
After one year	**18,978**	—
	85,999	49,408

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to a license arrangement, of which the performance obligations are to be satisfied within four years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2020	2019
	RMB'000	*RMB'000* (Restated)
Other income and gains		
Bank interest income	**109,170**	95,998
Government grants	**199,893**	136,131
Investment income from financial assets at fair value through profit or loss	**40,646**	46,044
Interest income on loans to a related party	**1,235**	2,760
Foreign exchange gain, net	**49,750**	21,095
Changes in fair value of financial assets at fair value through profit or loss	**—**	9,402
Gain on disposal of items of property, plant and equipment	**87**	9,777
Others	**2,509**	12,366
	403,290	333,573

6. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000* (Restated)
Depreciation of items of property, plant and equipment	**268,223**	224,537
Depreciation of right-of-use assets	**27,480**	23,397
Amortisation of other intangible assets*	**215,196**	207,726
Write-down of inventories to net realisable value**	**6,125**	3,929
Impairment of trade receivables, net	**(392)**	589
Lease payments not included in the measurement of lease liabilities	**9,658**	12,896
Auditor's remuneration	**9,840**	8,738
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**631,688**	601,183
Pension scheme contributions	**90,645**	112,697
Pension plan costs (defined benefit plan)	**2,455**	1,972
Central Provident Fund in Singapore	**1,824**	2,007
Staff welfare expenses	**48,653**	78,588
Equity-settled share award expense	**50,904**	64,677
	826,169	861,124
Other expenses:		
Research and development costs	**789,869**	711,126
Donation	**3,085**	8,876
Remeasurement of contingent considerations	**23,761**	—
Fair value losses on derivative financial instruments	**22,563**	—
Changes in fair value of financial assets at fair value through profit or loss	**3,458**	—
Others	**1,343**	456
	844,079	720,458

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**1,549,027**	1,478,684
The "Cost of sales" amount includes the following expenses which are also included in the respective total amounts of the items disclosed above:		
Depreciation of items of property, plant and equipment	**213,108**	175,514
Amortisation of other intangible assets*	**210,563**	201,124
Depreciation of right-of-use assets	**7,882**	6,133
Staff costs	**313,096**	267,461

* The amortisation of trademarks, distribution right, patents and technology know-how is included in "Cost of sales" in the consolidated statement of profit or loss.

The amortisation of software is included in "Administrative expenses" in the consolidated statement of profit or loss.

** The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	*RMB'000* (Restated)
Interest on bank and other loans (including convertible bonds)	**401,383**	262,652
Amortised interest on discounted long-term payables	**1,721**	20,781
Interest on discounted notes receivable	**4,867**	10,218
Interest on discounted letters of credit	**14,574**	—
Interest on lease liabilities	**1,457**	1,813
	424,002	295,464

8. INCOME TAX EXPENSE

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

Pursuant to the rules and regulations of Bermuda, the British Virgin Islands and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for a subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

Pursuant to the rules and regulations of Singapore, Malaysia, Switzerland, Germany, the United Kingdom (the "UK") and Australia, the Group is subject to 17%, 25%, 10.5%, 29.125%, 19% and 30% of their taxable income, respectively.

Pursuant to the rules and regulations of the USA, the Group is subject to Federal statutory tax at the rate of 21% (2019: 21%) of taxable income. No provision for income tax has been made as the Group did not generate any taxable income in the USA (2019: Nil) during the year.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

Shandong Luye, Nanjing Luye, WPU and Sichuan Luye are qualified as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% (2019: 15%) during the year. Nanjing Kanghai Phospholipid is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% (2019: 25%) during the year.

	2020	2019
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**259,223**	287,821
Under provision/(over provision) in prior years	**4,272**	(1,548)
Deferred tax	**(24,586)**	(6,444)
Total tax charge for the year	**238,909**	279,829

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Profit before tax	**942,174**	1,633,926
At the PRC's statutory income tax rate of 25%	**235,544**	408,482
Effect of tax rate differences in other jurisdictions	**21,472**	44,220
Preferential income tax rates applicable to subsidiaries	**(109,870)**	(185,574)
Additional deductible allowance for research and development expenses	**(92,642)**	(82,504)
Adjustments in respect of current tax of previous years	**4,272**	(1,548)
Effect of non-deductible expenses	**46,109**	36,619
Income not subject to tax	**(3,878)**	(6,061)
Tax losses utilised from previous years	**(767)**	(3,684)
Tax losses not recognised	**137,835**	69,483
Effect of withholding tax at 10% on the interest expense of the Group's PRC subsidiaries to be paid	**834**	396
Tax charge at the Group's effective rate	**238,909**	279,829

The effective tax rate of the Group for the year ended 31 December 2020 was 25.4% (2019: 17.1%).

9. DIVIDEND

	2020	2019
	RMB'000	*RMB'000*
Interim — nil (2019: RMB0.059) per ordinary share	**—**	191,654
Proposed final — nil (2019: RMB0.054) per ordinary share	**—**	175,487
	—	367,141

No interim and final dividends were declared by the Company during the year ended 31 December 2020.

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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,187,322,035 (2019: 3,203,472,322) in issue during the year. 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 year 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.

No adjustment has been made to the basic earnings per share amounts presented in respect of a dilution from the impact of the convertible bonds outstanding, as it had an anti-dilutive effect.

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

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**706,586**	1,396,174
	Number of shares	
	2020	2019
Shares		
Weighted average number of shares in issue during the year	**3,187,322,035**	3,203,472,322
Effect of dilution — weighted average number of ordinary shares under the share award scheme	**6,625,296**	17,984,051
	3,193,947,331	3,221,456,373

11. TRADE AND NOTES RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**954,645**	1,215,596
Notes receivable	**602,614**	487,053
	1,557,259	1,702,649
Less: Impairment of trade receivables	**(4,170)**	(4,718)
	1,553,089	1,697,931

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 has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

As at 31 December 2020, notes receivable of RMB602,614,000 (2019: RMB487,053,000), whose 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 2020.

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**887,792**	1,141,426
3 to 6 months	**47,101**	61,836
6 to 12 months	**17,067**	8,213
1 to 2 years	**1,267**	3,136
Over 2 years	**1,418**	985
	954,645	1,215,596

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	*RMB'000*
Current		
Listed equity investments, at fair value	**19,248**	75,542
Other unlisted investments, at fair value	**1,412,659**	1,786,097
	1,431,907	1,861,639
Non-current		
Unlisted equity investment, at fair value	**1,263**	1,263

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above other unlisted investments were wealth management products issued by licensed financial institutions in Mainland China with a maturity period within one year. The fair values of the financial assets approximate to their costs plus expected interest. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The fair value of the listed equity investments is derived from quoted price in an active market.

The fair value of the unlisted equity investments which are not quoted in an active market is valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves.

As at 31 December 2020, other unlisted investments of RMB10,000,000 (2019: RMB1,221,580,000) were pledged to secure intra-group notes payable.

As at 31 December 2020, other unlisted investments of RMB90,000,000 (2019: RMB88,320,000) were pledged to secure notes payable.

As at 31 December 2020, other unlisted investments of RMB200,000,000 (2019: Nil) were pledged to secure bank loans.

As at 31 December 2020, other unlisted investments of RMB100,000,000 (2019: Nil) were pledged to secure letters of credit.

13. TRADE AND NOTES PAYABLES

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Trade payables	**326,172**	239,161
Notes payable	**159,090**	101,887
	485,262	341,048

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:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**456,647**	322,200
3 to 6 months	**17,952**	11,823
6 to 12 months	**6,516**	3,918
1 to 2 years	**2,042**	1,535
Over 2 years	**2,105**	1,572
	485,262	341,048

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

The maturity of the notes payable is within twelve months.

As at 31 December 2020, the Group's notes payable were secured by certain of the Group's notes receivable, other unlisted investments and time deposits amounting to approximately RMB15,000,000 (2019: RMB13,567,000), RMB90,000,000 (2019: RMB88,320,000) and RMB54,090,000 (2019: Nil), respectively.

14. INTEREST-BEARING LOANS AND BORROWINGS

31 December 2020

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans — secured			
RMB50,063,135 bank loan	LPR+0.08	02 March 2021	50,064
RMB70,093,126 bank loan	LPR+0.94	20 December 2021	70,093
RMB200,229,583 bank loan	LPR+0.08	19 March 2021	200,230
RMB100,123,750 bank loan	LPR	24 March 2021	100,124
RMB200,247,500 bank loan	LPR	14 March 2021	200,248
RMB95,116,111 bank loan	LPR+0.15	27 August 2021	95,116
RMB110,139,563 bank loan	4.57	11 November 2021	110,140
RMB52,105,139 bank loan	3.95	15 January 2021	52,105
RMB22,253,905 bank loan	3.95	15 January 2021	22,254
RMB17,154,367 bank loan	3.95	15 January 2021	17,154
RMB43,773,323 bank loan	3.95	16 March 2021	43,773
RMB80,692,698 bank loan	3.95	19 March 2021	80,693
RMB27,622,140 bank loan	3.95	16 April 2021	27,622
RMB56,312,176 bank loan	4.25	17 June 2021	56,312
RMB101,822,222 bank loan	4.00	20 January 2021	101,822
RMB71,166,667 bank loan	4.00	29 January 2021	71,167
RMB20,333,333 bank loan	4.00	29 January 2021	20,333
RMB30,500,000 bank loan	4.00	29 January 2021	30,500
RMB81,511,111 bank loan	4.00	8 January 2021	81,511
RMB71,298,889 bank loan	4.00	13 January 2021	71,299
RMB194,218,250 bank loan	4.05	27 March 2021	194,218
RMB150,181,250 bank loan	4.35	26 March 2021	150,181
RMB57,145,667 bank loan	4.60	11 June 2021	57,146
RMB125,128,472 bank loan	3.70	21 July 2021	125,128
RMB125,128,472 bank loan	3.70	3 August 2021	125,128
RMB175,199,306 bank loan	4.10	21 August 2021	175,199
RMB50,062,500 bank loan	4.50	4 November 2021	50,063
RMB81,448,889 bank loan	4.00	20 January 2021	81,449
RMB300,237,760 bank loan	4.13	29 July 2021	300,238
RMB80,112,954 bank loan	4.35	7 December 2021	80,113

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans — secured			
HK$194,423,387 bank loan	1.08	15 March 2021	163,635
US$7,006,085 bank loan	2.85	16 April 2021	45,714
US$8,005,707 bank loan	2.35	22 April 2021	52,236
US$30,022,255 bank loan	1-month LIBOR+1.10	6 January 2021	195,892
US$40,379,432 bank loan	1.70	23 June 2021	263,472
US$15,134,234 bank loan	1.70	27 July 2021	98,749
US$22,404,985 bank loan	1-month LIBOR+0.80	29 January 2021	146,190
EUR10,081,130 bank loan	1.20	25 May 2021	80,901
EUR10,004,815 bank loan	1.45	16 April 2021	80,289
EUR11,005,306 bank loan	1.45	22 April 2021	88,318
EUR25,051,198 bank loan	1.42	8 April 2021	201,036
EUR12,617,110 bank loan	3-month LIBOR+0.85	11 August 2021	101,252
EUR20,000,000 bank loan	1.02	23 April 2021	165,763
Current portion of long-term bank loans — secured			
RMB3,204,167 bank loan	4.90	21 June 2021	3,204
RMB10,000,000 bank loan	4.90	21 December 2021	10,000
RMB340,278 bank loan	4.90	21 March 2021	340
RMB10,124,542 bank loan	4.13	18 June 2021	10,125
US$1,224,488 bank loan	3-month LIBOR+2.85	30 June 2021	7,990
US$12,457,158bank loan	3-month LIBOR+2.85	30 June 2021	81,282
US$13,103,880 bank loan	3-month LIBOR+2.85	30 June 2021	85,502
US$2,408,816 bank loan	3-month LIBOR+2.85	30 June 2021	15,717
EUR81,492 bank loan	3-month EURIBOR+1.70	15 March 2021	654
Discounted notes receivable	2.85	27 August 2021	98,108
	3.40	27 February 2021	39,772
	3.55	28 April 2021	29,652
	3.15	28 March 2021	922
	2.80	27 February 2021	29,859
	2.89	04 May 2021	49,500
	2.79	25 May 2021	964
	4.20	17 September 2021	48,454
	4.20	20 September 2021	48,484
	3.19	9 November 2021	38,892
	3.90	13 August 2021	146,588
Discounted letters of credit	2.57	7 April 2021	19,863
	3.85	4 February 2021	199,284
	3.73	18 January 2021	99,816
	3.38	10 June 2021	40,000
Lease liabilities	3.93	31 December 2021	13,013
			5,642,855

	Effective interest rate (%)	Maturity	*RMB'000*
Non-current			
Bank loans — secured			
RMB135,000,000 bank loan	4.90	21 June 2022 –6 June 2025	135,000
RMB250,000,000 bank loan	4.90	15 April 2022 – 30 September 2026	250,000
RMB90,000,000 bank loan	4.13	18 June 2022	90,000
US$14,580,000 bank loan	3-month LIBOR+2.85	1 January 2022 – 30 June 2025	95,133
US$111,780,000 bank loan	3-month LIBOR+2.85	1 January 2022 – 30 June 2025	729,353
US$116,426,160 bank loan	3-month LIBOR+2.85	1 January 2022 – 30 June 2025	759,669
US$20,482,380 bank loan	3-month LIBOR+2.85	1 January 2022 – 30 June 2025	133,646
EUR40,272,226 bank loan	3-month EURIBOR+1.70	1 January 2022 – 30 August 2023	323,185
Lease liabilities	3.93	1 January 2022 – 30 August 2023	11,729
			2,527,715
Total interest-bearing loans and borrowings			8,170,570
Convertible bonds	7.29	2021 – 2024	1,810,930
			9,981,500

31 December 2019 (Restated)

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans — secured			
RMB30,000,000 bank loan	LPR+0.04	4 March 2020	30,000
RMB20,000,000 bank loan	LPR+0.04	4 March 2020	20,000
RMB70,000,000 bank loan	LPR-0.235	27 November 2020	70,000
RMB200,000,000 bank loan	LPR+0.04	24 April 2020	200,000
RMB150,000,000 bank loan	LPR+0.04	17 April 2020	150,000
RMB76,150,000 bank loan	4.00	23 March 2020	76,150
RMB50,000,000 bank loan	4.30	18 February 2020	50,000
RMB80,000,000 bank loan	4.30	20 February 2020	80,000
RMB80,000,000 bank loan	4.35	14 January 2020	80,000
RMB70,000,000 bank loan	4.35	17 January 2020	70,000
RMB100,000,000 bank loan	4.20	22 January 2020	100,000
RMB65,000,000 bank loan	4.25	14 April 2020	65,000
RMB94,000,000 bank loan	4.35	25 April 2020	94,000
RMB100,000,000 bank loan	4.20	22 January 2020	100,000
RMB90,000,000 bank loan	6.50	29 February 2020	90,000
HK$117,800,000 bank loan	1-month HIBOR+1.50	17 January 2020	105,523
HK$175,000,000 bank loan	1-month HIBOR+1.10	8 May 2020	156,309
US$15,000,000 bank loan	3-month LIBOR+0.80	24 April 2020	104,643
US$39,793,989 bank loan	3-month LIBOR+0.85	24 June 2020	279,048
EUR21,000,000 bank loan	3-month EURIBOR+0.70	6 March 2020	164,126
EUR21,000,000 bank loan	3-month EURIBOR+0.70	24 April 2020	164,126
EUR12,000,000 bank loan	EURIBOR+1.40	12 April 2020	93,786
EUR9,500,000 bank loan	EURIBOR+1.40	15 April 2020	74,247
EUR22,000,000 bank loan	0.80	27 March 2020	171,941
EUR107,131,215 bank loan	3-month EURIBOR+1.70	On demand	837,284
Current portion of long term bank loans — secured			
RMB2,000,000 bank loan	4.90	21 December 2020	2,000
RMB5,367,431 bank loan	6.50	30 September 2020	5,367
RMB2,565,190 bank loan	6.18	7 July 2020	2,565
US$1,750,200 bank loan	3-month LIBOR+2.85	30 June 2020	12,210
US$13,800,000 bank loan	3-month LIBOR+2.85	30 June 2020	96,272
US$14,373,600 bank loan	3-month LIBOR+2.85	30 June 2020	100,273
Discounted notes receivable	3.65	16 January 2020	100,000
	3.30	14 January 2020	50,000
	3.45	27 February 2020	60,000
	3.32	20 March 2020	100,000
	3.40	3 April 2020	70,000
Lease liabilities	4.45	31 December 2020	16,627
			4,041,497

	Effective interest rate (%)	Maturity	*RMB'000*
Non-current			
Bank loans — secured			
RMB148,000,000 bank loan	4.90	21 June 2021 – 6 June 2025	148,000
RMB250,000,000 bank loan	4.90	15 April 2022 – 30 September 2026	250,000
RMB90,000,000 bank loan	6.50	18 May 2021	90,000
RMB298,000,000 bank loan	6.18	7 January 2021 – 7 July 2022	298,000
US$15,751,800 bank loan	3-month LIBOR+2.85	30 June 2021 – 30 June 2025	109,888
US$124,200,000 bank loan	3-month LIBOR+2.85	30 June 2021 – 30 June 2025	866,444
US$129,362,400 bank loan	3-month LIBOR+2.85	30 June 2021 – 30 June 2025	902,458
Lease liabilities	4.45	1 January 2021 – 30 August 2023	12,330
			2,677,120
Total interest-bearing loans and borrowings			6,718,617
Convertible bonds	7.29	2020 – 2024	1,833,173
			8,551,790

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Analysed into:		
Bank loans and other borrowings repayable:		
Within one year or on demand	**5,642,855**	4,041,497
In the second year	**455,701**	321,503
In the third to fifth years, inclusive	**3,792,268**	3,272,456
After five years	**90,676**	916,334
	9,981,500	8,551,790

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

(i) the pledge of certain of the Group's time deposits of RMB1,099,995,000 (2019: RMB941,170,000);

(ii) the pledge of certain of the Group's other unlisted investments of RMB200,000,000 (2019: Nil);

(iii) the pledge of certain of the Group's notes receivable of RMB177,135,000 (2019: Nil);

(iv) the pledge of certain of the Group's intra-group notes receivable of RMB10,000,000 (2019: RMB170,000,000);

(v) the pledge of certain of the Group's property, plant and equipment, which had a net carrying value at the end of the reporting period of approximately RMB186,649,000 (2019: RMB582,211,000); and

(vi) the pledge of certain of the Group's subsidiaries' shares.

In addition, the Group's related parties have guaranteed certain of the Group's bank loans up to RMB485,932,000 as at 31 December 2019.

15. RELATED PARTY TRANSACTIONS

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

Company	Relationship
Steward Cross Pte. Ltd.	Associate
Luye Life Sciences Group Japan Co., Ltd. ("Luye Japan")	An entity controlled by the controlling shareholder
Shandong International Biotech Park Development Co., Ltd. ("Biotech Park Development")	An entity controlled by the controlling shareholder
LIG	An entity controlled by the controlling shareholder
Yantai Lujian Real Estate Co., Ltd. ("Yantai Lujian Real Estate")	An entity controlled by the controlling shareholder

(a) The Group had the following transactions with related parties during the year:

	Notes	**2020** ***RMB'000***	2019 *RMB'000* (Restated)
Sales of goods to a related party:			
Steward Cross	*(i)*	**5,953**	7,398
Success fee to a related party:			
Luye Japan	*(ii)*	**2,070**	—
Interest income from a related party:			
LIG	*(iii)*	**1,235**	2,760
Interest expense to a related party:			
Biotech Park Development	*(iii)*	**—**	707
Loans to a related party:			
LIG	*(iii)*	**—**	448,506
Receipts of repayments from a related party:			
LIG	*(iii)*	**112,185**	339,207
Loans from a related party:			
Biotech Park Development	*(iii)*	**—**	134,216
Repayments of loans from a related party:			
Biotech Park Development	*(iii)*	**—**	153,571

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 success fee was charged with reference to prices mutually agreed between the parties for a business introduction.

(iii) The loans bear interest of 4.35% to 6.18% per annum.

(b) Other transactions with related parties:

During the year, the Group acquired a subsidiary, Boan Biotech, from LIG at a total purchase price of up to RMB1,446,700,000 (approximately US$205,800,000), based on an external valuation of the business. Further details of the transaction are included in note 2 to the consolidated financial statements.

As at 31 December 2019, the Group had guaranteed banking facilities granted to LIG amounting to RMB600,000,000 which expired during the year.

As at 31 December 2019, LIG had guaranteed certain of the Group's bank loans of up to RMB390,565,000. LIG, Biotech Park Development and Yantai Lujian Real Estate had guaranteed certain of the Group's bank loans of up to RMB95,367,000. These bank loans were repaid during the year.

(c) Outstanding balances with related parties:

	Notes	**2020** ***RMB'000***	2019 *RMB'000* (Restated)
Due from related parties			
Steward Cross	*(i)*	**—**	926
LIG	*(ii)*	**—**	114,179
		—	115,105
Due to related parties			
Biotech Park Development	*(iii)*	**2,196**	5,790

Notes:

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

(ii) The balance consists of loans to LIG which bear interest at 4.35% per annum with principal amount and accrued interest amounting to RMB111,419,000 and RMB2,760,000, respectively. The balance is unsecured and has no fixed terms of repayment.

(iii) As at 31 December 2019, the balance consists of advance payments by Biotech Park Development amounting to RMB916,000 and accrued interests amounting to RMB4,874,000 for loans from Biotech Park Development in prior years.

As at 31 December 2020, the balance represents advance payments by Biotech Park Development amounting to RMB2,196,000. The outstanding interest on loans from Biotech Park Development in prior years was waived during the year.

(d) Compensation of key management personnel of the Group:

	2020	2019
	RMB'000	*RMB'000*
Short-term employee benefits	**27,535**	20,259
Pension scheme contributions	**649**	766
Equity-settled share award expense	**7,387**	9,326
Total compensation paid to key management personnel	**35,571**	30,351

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group focuses on developing, producing, marketing and selling innovative pharmaceutical products in four of the largest and fastest growing therapeutic areas in the People's Republic of China ("PRC" or "China"), the United States ("the U.S."), Europe and other emerging 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 year ended 31 December 2020, the Group's business was influenced by the pandemic of coronavirus disease 2019 ("COVID-19") and global economic fluctuations but still maintained stability. The Group recorded a revenue decrease of 12.9% in the year of 2020 as compared to that of 2019. The Group continually invests in Research and Development ("R&D") to maintain its competitiveness, and has a robust product pipeline including 32 China pipeline product candidates and 12 pipeline product candidates in the U.S., Europe and Japan.

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 largest market in China for pharmaceutical products in the year of 2020. The Group's portfolio of oncology products includes Lipusu, the second largest domestic pharmaceutical product for cancer treatment in China in the year of 2020 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 year of 2020. 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 second largest vasoprotective pharmaceutical product in China in the year of 2020, respectively. According to IQVIA, alimentary tract and metabolism-related pharmaceutical products constituted the second largest market for pharmaceutical products in the PRC in the year of 2020. According to IQVIA, the Group was the second largest domestic pharmaceutical manufacturer of oral diabetic medications in China in the year of 2020 measured by revenue. IQVIA data showed that central nervous system-related pharmaceutical products constituted the fourth largest market for pharmaceutical products in the PRC in the year of 2020. The Group's key product Seroquel was the third largest product in schizophrenia therapeutic area and the largest quetiapine product in terms of sales in the PRC in the year of 2020.

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 year ended 31 December 2020, the Group's revenue from sales of oncology products decreased by 20.5% to RMB2,235.2 million, while revenue from CNS products increased by 4.7% to RMB1,401.5 million. Revenue from cardiovascular system products decreased by 3.7% to RMB1,004.5 million. Revenue from alimentary tract and metabolism products decreased by 27.0% to RMB733.4 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 RMB105.6 billion in the year of 2020 measured by revenue, Lipusu was the second largest domestic pharmaceutical product for cancer treatment in China in the year of 2020, as well as the most popular paclitaxel product in China in the year of 2020. As of 31 December 2020, Lipusu represented the first and only paclitaxel liposome product approved for sale globally. In the first half of 2020, Lipusu® was removed from 4 Provincial Reimbursement Drug List ("PRDL"). In December 2020, Lipusu® has been included in the category B of the new Catalogue of National Reimbursement Drug List ("NRDL"). All indications of Lipusu®, including non-small cell lungs cancer, ovarian and breast cancer, are reimbursed under the NRDL. The 2020 NRDL has come into effect in March 2021.

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 year of 2020. 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. According to the NMPA, the Group was the only Xuezhikang manufacturer in China as of 31 December 2020. 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 RMB9.2 billion in the year of 2020. According to IQVIA, Xuezhikang ranked as the most popular natural medicine for the treatment of hypercholesterolaemia in China in the year of 2020.

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 RMB3.4 billion in the year of 2020. Maitongna was the best-selling sodium aescinate product in China in the year of 2020 and ranked as the best-selling domestically manufactured vasoprotective pharmaceutical product in China in the year of 2020.

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 year of 2020. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB2.1 billion in the year of 2020 and Bei Xi ranked as the second largest domestic pharmaceutical manufacturer of oral diabetic medications in China in the year of 2020 measured by revenue.

Rivastigmine Transdermal Patches (the "Rivastigmine Patch")

The Rivastigmine Patch is rivastigmine in transdermal patches form approved in China, the U.S., Europe and other emerging countries or regions, 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 antipsychotic 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 third largest product in schizophrenia therapeutic area and the largest quetiapine product in the PRC in the year of 2020. In addition to China, Seroquel and Seroquel XR are also marketed by the Group in other 50 developed and emerging countries.

Research and Development

The Group's R&D activities are organised around four platforms in the chemical drug sector — long-acting and extended release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. After completion of the acquisition of Boan Biotech in February 2020, the Group has expanded its R&D capability to biological sector supported by Boan Biotech's four largest cutting-edge platforms, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, Antibody-drug Conjugate ("ADC") Technology and Nanobody Platform. The Group balances clinical development risks by strategically allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel antibodies. 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 31 December 2020, the Group's R&D team consisted of 944 employees, including 101 Ph.D. degree holders and 468 Master's degree holders in medical, pharmaceutical and other related areas. As at 31 December 2020, the Group had been granted over 239 patents and had over 76 pending patent applications in the PRC, as well as over 665 patents and over 130 pending patent applications overseas.

The Group will continue to invest in the three innovative platforms, namely New Drug Delivery Systems ("NDDS"), New Chemical Entity ("NEC") and Biotech to develop new products in four strategic therapeutic areas — oncology, CNS, cardiovascular and alimentary tract and metabolism. As at 31 December 2020, the Group had 32 PRC pipeline product candidates in various stages of development. These candidates included 12 oncology products, 13 CNS products and 7 other products.

Also, the Group had 12 pipeline product candidates in the U.S., Europe and Japan in various stages of development. In the U.S., two pipeline product candidates (LY03004 and LY03005) have filed New Drug Application ("NDA") and two pipeline product candidates (LY03003, LY03010) are in different clinical trial stages. LY06006/LY01011 has received investigational new drug ("IND") approval from the U.S. FDA, and this was the Group's first biosimilar IND approval in the U.S.. In Europe, one pipeline product candidate (LY30410) has submitted Marketing Authorization Application ("MAA") and two products (LY30990 and LY03004) are under clinical trial stages. LY06006/LY01011 has received the Clinical Trial Application ("CTA") approval from the Paul-Ehrlich-Institut ("PEI", the Federal Institute for Vaccines and Biomedicines of the German Federal Ministry of Health), as the Group's first biosimilar CTA approval in Europe. In Japan, two pipeline product candidates (LY03003 and LY03005) are under clinical trial stages.

For global R&D progress:

In January 2020, the Company received a complete response letter (the "CRL") from the U.S. FDA regarding the Group's NDA for LY03004, an Extended-Release Microspheres for Injection administered biweekly for the treatment of schizophrenia and bipolar I disorder. The CRL requested additional information and the satisfactory resolution of inspection issues of the active pharmaceutical ingredient ("API") manufacturing facility before the relevant application may be approved. Previously, the manufacturing facility of the Group located in Yantai, China for the manufacturing of LY03004 successfully passed a PAI with no FDA-483, Inspection Observation.

In March 2020, the U.S. FDA has completed the filing review and has determined to accept the filing for LY03005, a new chemical drug for the treatment of major depressive disorder, in accordance with 505(b)(2) of the Federal Food, Drug and Cosmetic Act and 21 CFR § 314.50.

In May 2020, Boan Biotech has submitted the IND application for its recombinant anti-RANKL fully human monoclonal antibody injection (Denosumab Injection, LY06006/LY01011) product to the U.S. FDA. It was the first overseas IND application regarding a biopharmaceutical product of the Group. In June 2020, Boan Biotech has obtained the approval to initiate clinical trials.

In May 2020, the MAA within the European territory for Rivastigmine Multi-day Transdermal Patch ("Rivastigmine MD" or "LY30410"), an innovative delivery system drug being developed by the Group for the treatment of Alzheimer's disease, has been accepted for review by EU competent authorities.

In October 2020, Boan Biotech has obtained the CTA approval for its recombinant anti-RANKL fully human monoclonal antibody injection (Denosumab Injection, LY06006/LY01011) product from the PEI to initiate clinical trials. It is the second overseas clinical trial application regarding a biopharmaceutical product of the Group.

In December 2020, the Group's Paliperidone Palmitate extended-release injectable suspension, for intramuscular use ("LY03010"), has begun pivotal study in the U.S. following acceptance by the U.S. FDA of the relevant pivotal study proposal. LY03010 is an extended-release injectable suspension which is indicated for the treatment of schizophrenia and schizoaffective disorders by intramuscular injection, monthly doses.

In January 2021, the Group's monthly microspheres injection LY03009, commenced phase I clinical trial in Australia. LY03009 is one of the Group's key central nervous system product candidates developed on a long acting and extended-release formulation platform, indicated for Parkinson's Disease (PD) and moderate to severe restless legs syndrome (RLS).

In January 2021, the phase I clinical trial of the Rotigotine Extended Release Microspheres for injection (LY03003) has been completed in Japan. LY03003 is one of the Group's key innovative product candidates of CNS developed on a long acting and extended-release formulation platform. The drug is being developed concurrently in the markets of China, the U.S., Europe, Japan and several other countries or regions. It is under phase III clinical trial in China and the U.S.. LY03003 delivers medication by weekly intramuscular injection. This is the first product worldwide to produce long-term Continuous Dopamine Stimulation (CDS).

For China R&D progress:

In March 2020, the Group's Class 1 new drug LPM3480392 injection ("LY03014") has obtained the approval from the China Center for Drug Evaluation of National Medical Products Administration ("CDE") to initiate clinical trials. LY03014 is a small molecule Gi protein biased at mu-opioid receptor agonist, indicated for the treatment of postoperative moderate-to-severe acute pain and breakthrough cancer pain. In March 2021, LY03014 commenced enrolment of subjects in phase I clinical trial in China.

In April 2020, the MAA for Bevacizumab injection (Avastin® biosimilar, LY01008) has been accepted by CDE, NMPA. The product was developed by Boan Biotech.

In June 2020, the marking registration of Rivastigmine Patch (金斯明®) has been approved by the NMPA. It is the first transdermal patch product approved for marketing according to the requirements of quality and efficacy consistency evaluation.

In June 2020, the clinical trial application of the Group's innovative products, Hydrochloride Irinotecan Floxuridine Liposome Injection ("LY01616") has received formal acceptance from CDE of NMPA. Irinotecan combined with fluorouracil is one of the first choices for the chemotherapy treatment of advanced colorectal cancer. LY01616 is an innovative combinational liposome formulation loaded with irinotecan and floxuridine, indicated for the treatment of colorectal cancer. Currently, there is no same drug product launched globally.

In June 2020, the IND application of Rivastigmine Multi-Day Transdermal Patch ("LY03013") developed by the Group for the treatment of Alzheimer's disease has been formally accepted by CDE, NMPA. The product has submitted MAA in the Europe. In September 2020, LY03013 has obtained the approval to initiate clinical trials.

In June 2020, the Group's synthetic class one new drug LPM4870108 tablets ("LY01018"), a small molecule inhibitor of NTRK with independent intellectual property right, has received formal acceptance of IND application from the CDE. This drug is designed for the treatment of NTRK fusion positive cancer patients with different tumor types and patients with drug resistance to the first generation NTRK inhibitor. In August 2020, LY01018 has obtained the approval to initiate clinical trials.

In August 2020, Lurbinectedin for injection (LY01017), a product of the Group licensed in from Pharma Mar, S.A. ("PharmaMar"), has obtained the approval from CDE of NMPA to initiate clinical trials. Lurbinectedin indicated for Small Cell Lung Cancer (SCLC) is an inhibitor of RNA polymerase II. RNA polymerase II is an enzyme that is essential for the transcription process that is over-activated in tumors with transcriptional addiction. In June 2020, the U.S. FDA has approved Lurbinectedin (brand name: Zepzelca™) for the treatment of adult patients with metastatic Small Cell Lung Cancer who suffered from relapse, after platinum-based chemotherapy. Besides, NDAs have also been submitted in relation to Lurbinectedin in Switzerland, Canada and Israel.

In December 2020, the enrolment and follow-up of patients in a phase III clinical trial, an efficacy and safety comparative study of ansofaxine hydrochloride extended release tablets ("LY03005"), with placebo, completed in relation to the Group's product candidate, LY03005 is, a New Chemical Entity (NCE) and China Class 1 New Chemical Drug. LY03005 is a central nervous system product candidate being developed within new compounds platform. It is a serotonin-norepinephrine-dopamine triple reuptake inhibitor (SNDRI) in extended release tablet form for the treatment of major depressive disorder.

In December 2020, Boan Biotech's Denosumab injection (Xgeva® biosimilar, "LY01011") commenced a comparative clinical study (phase III) in China.

In December 2020, the phase I clinical trial of the Group's Class 1 new drug product, the extended release tablets ("LY03012"), has been completed in China. LY03012 is a small molecule compound delivered orally. LY03012, through enhancing the descending inhibitory pain pathway, exerts an analgesic effect. In addition, LY03012 can also regulate the body's sleep-wake cycle, and it is expected not to cause any apparent adverse reactions such as sedation and somnolence while administered at dosage producing an analgesic effect.

In January 2021, the marketing registration of Risperidone Microspheres for Injection (II) ("LY03004", 瑞欣妥®) was approved by the NMPA. It was the first innovative formulation developed under the Group's long acting and extended technology platform that received marketing approval. 瑞欣妥®/LY03004 is an extended-release microspheres for injection administered bi-weekly for the treatment of schizophrenia.

In January 2021, all subjects under the phase I clinical trial in China for LY-CovMab, an innovative antibody product of Boan Biotech completed enrollment with LY-CovMab. Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) is the virus that causes COVID-19. LY-CovMab is a fully human monoclonal neutralizing antibody, which showed good effects for both therapeutic and prophylactic venues against SARS-CoV-2 infection.

In January 2021, the last dosing for all subjects in phase III clinical of Boan Biotech's recombinant anti-RANKL fully human monoclonal antibody injection (Denosumab injection, Prolia® biosimilar, "LY06006") in China has been completed.

In February 2021, the recombinant human vascular endothelial growth factor receptor antibody fusion protein ophthalmic injection (Aflibercept intraocular injection solution, Eylea® biosimilar, "LY09004") of Boan Biotech completed the first patient dosing in phase III clinical trial in China.

In February 2021, the clinical trial application of Nivolumab injection ("LY01015") of Boan Biotech has been formally accepted by the CDE in China. LY01015 is the first applied biosimilar to OPDIVO® according to Registration Classification 3.3 of Biological Product.

In March 2021, the clinical trial application of the Group's Class 2 new drug, Ropivacaine Hydrochloride Liposome Suspension Injection ("LY09606"), has received formal acceptance from the CDE. LY09606 is a multivesicular liposome formulation containing Ropivacaine. Its unique multivesicular structure facilitates the sustained release of the encapsulated drug. LY09606, which can be indicated for postoperative analgesia, is the first Ropivacaine multivesicular liposome injection product which has applied for clinical trial approval in China. The high technical barriers and complex processes of multivesicular liposome manufacturing attest to the Group's strengths in key technologies for liposome research, development and manufacturing.

Sales, Marketing and Distribution

For global market:

The business of the Group covers 80 countries or regions including the U.S., countries in the European Union ("EU"), Japan, Association of Southeast Asian Nations ("ASEAN"), Latin America, Gulf Cooperation Council ("GCC") region and other emerging countries or regions. The Group also has strong sales partnerships with more than 50 partners throughout the world.

In February 2020, the Group granted Cipla Medpro South Africa (Pty) Limited the exclusive distribution and marketing rights for Seroquel® and Seroquel XR® in South Africa, Namibia and Botswana. In May 2020, the Group granted Moksha8 Brasil Distribuidora e Representação de Medicamentos Ltda. and Moksha8 Farmacéutica, S. de R.L. de C.V. the exclusive promotion right for Seroquel® and Seroquel XR® in Brazil and Mexico; and granted Alvogen Korea Co., Ltd. the exclusive distribution and marketing rights for Seroquel® and Seroquel XR® in South Korea.

In March 2021, the Group has granted Italfarmaco Group ("Italfarmaco") the exclusive rights to commercialize Rivastigmine MD in Germany, Italy, Portugal and Greece. Italfarmaco will also have a preferential right to market Rivastigmine MD in Chile and Vietnam. Italfarmaco is required to make an upfront payment to the Group upon the signing of the relevant agreement as well as additional payments when certain sales milestones are achieved. The Group is also eligible to receive royalties from Italfarmaco.

For China market:

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 year of 2020. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,800 distributors that collectively enabled the Group to sell its products to over 16,700 hospitals, which comprised approximately 2,100 or approximately 85.0% of all Class III hospitals, approximately 5,100 or approximately 62.0% of all Class II hospitals and approximately 9,500 or approximately 55.0% of all Class I and other hospitals and medical institutions, in the PRC in the year of 2020. 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 promotions 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.

In December 2020, Lipusu®, being the Group's paclitaxel formulation with innovative liposome delivery system, has been included in the category B of the new Catalogue of NRDL. All indication of Lipusu®, including non-small cell lungs Cancer, ovarian and breast cancer, are reimbursed under the NRDL. The 2020 NRDL has come into effect in March 2021.

Manufacturing

For the year ended 31 December 2020, the Group has been 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 manufacturing facility of LY03004 (瑞欣妥®) has successfully passed the inspection by NMPA in September 2020. The manufacturing site for transdermal patches in Miesbach, Germany, maintained full capacity and met all customer demands in 2020 despite the COVID-19 related constraints on supply chain & logistics in many countries around where customers or suppliers reside. Customer audits during the year of 2020 were performed partly remotely and underlined the compliance with GMP standard.

Merger & Acquisition ("M&A")

In February 2020, the Group completed the acquisition of 98.0% equity interest in Boan Biotech. Boan Biotech is a biotechnology company that develops biopharmaceutical products (including biosimilar and innovative drugs) with a focus on oncology, CNS, diabetes and immune diseases. Through the strategic acquisition of Boan Biotech, a company with a proven track record in the R&D of biosimilars and innovative drugs, the Group hopes to not only further expand and diversify its pipeline product portfolio, but also further accelerate its growth and penetration in the fast-growing biopharmaceutical sub-segment.

The Board believes that Boan Biotech's portfolio of biosimilar and innovative products is highly complementary to the Group's existing core strengths and such acquisition will assist the Group in maintaining its position as a leading pharmaceutical player in China. In addition, Boan Biotech's novel antibody products have the potential to provide the Group with numerous excellent growth opportunities in the longer term.

In June 2020, the Group completed the acquisition of 100.0% equity interest in Boan Biotech. In February 2021, third parties' investments in Boan Biotech has been completed. Boan Biotech has received approximately RMB877 million from a number of reputable Chinese and international investors, demonstrating their belief in the company's research & innovation strength and their confidence in its future potential. The capital raised will help Boan Biotech accelerate the clinical development of its innovative antibody and biosimilar products, enhancing competitive strengths and facilitating rapid, stable growth. After completion of the third parties' investments, the Group held 74.5% equity interest in Boan Biotech.

Business Collaborations

In October 2020, Boan Biotech has entered into a collaboration and exclusive promotion agreement (the "Agreement") with Ocumension Therapeutics (Zhejiang) Co., Ltd. (歐康維視(浙江)醫藥有限公司) ("Ocumension Zhejiang"), a wholly-owned subsidiary of Ocumension Therapeutics (Stock code: 1477.HK) to jointly develop LY09004, a biosimilar to EYLEA® (Aflibercept), which is in its phase III clinical trial. In addition, Boan Biotech has granted Ocumension Zhejiang the exclusive right to promote and commercialize LY09004 in the mainland China (for the purpose of the relevant agreement, Hong Kong, Macau and Taiwan are not included) (the "Territory"). Ocumension Zhejiang will pay the upfront payment to Boan Biotech upon signing of the relevant agreement, and will pay milestone payments to Boan Biotech upon achievement of certain development and regulatory milestones. After LY09004 is approved for sale in the Territory, Ocumension Zhejiang will pay Boan Biotech sales milestone payments and certain royalty based on its annual net sales. In addition, Ocumension Zhejiang will bear all expenses related to the phase III clinical trials of LY09004 in the Territory.

In February 2021, the Group granted Towa Pharmaceutical Co., Ltd. ("Towa") the exclusive right to develop and commercialize the new drug, Rivastigmine MD in Japan. Towa will make an upfront payment to the Group upon signing of the relevant agreement, and will make further milestone payments to the Group upon achievement of certain development, regulatory and sales milestones in relation to Rivastigmine MD. Towa will also make royalty payments on the sales Rivastigmine MD to the Group. In addition, Rivastigmine MD, as a new drug, is expected to enter into phase III clinical trials in Japan and Towa will bear all costs and expenses related to clinical studies and registration purposes in Japan.

Industry Policy Risk

Volume-based Procurement ("VBP")

In the past two years, Chinese medical insurance policy had undergone substantial changes. The National Healthcare Security Administration ("NHSA") of China has organised several rounds of VBP. In the round of "4+7" VBP, 25 drugs won the bid with an average price cut of 51.0%. In the first round of national VBP in the "Alliance area", the 25 products cut price 24.0% on average compared with the first round of "4+7" VBP. While in the second round of national VBP in 31 provinces and cities in January 2020, another 32 drugs won the bid with an average price cut of 55.0%.

The Group's major product Bei Xi was included in the second round of national VBP with a price cut of approximately 60.0%. Even if the sales volume will significantly increase, there would still be an uncertainty in relation to its sales value growth.

In the third round of national VBP organised in August 2020, there are 56 products on the procurement list. Quetiapine fumarate, immediate release was included in the list and the Group's product Seroquel, as the originator, did not win the bidding. Three generic products won the bidding with a price cut of approximately 60.0%.

In the fourth round of national VBP in February 2021, there are 45 products on the procurement list. Quetiapine extended release formulation was included in the list and the Group's product Seroquel XR, as the originator, did not win the bidding. Three generic products won the bidding with a price cut of approximately 60.0%.

With the further advancement of medical reform, VBP will become the core task of NHSA. It is generally believed that the drug VBP is expected to be fully implemented and become the standard practice in China.

National Reimbursement Drug List Adjustment

For the NRDL, a yearly dynamic adjustment has becoming the new normal. Hundreds of exclusive products have been included in the NRDL by the negotiation with NHSA in the past two years. In 2019, exclusive products successfully included in the NRDL by the negotiation had an average price cut of 60.7%. In 2020, exclusive products successfully included in the NRDL by the negotiation had an average price cut of 50.6%.

Outlook

Due to Chinese medical insurance policy, market factors as well as the pandemic of COVID-19, the Chinese pharmaceutical industry recorded a decrease in revenue of 11.2% in the year of 2020 according to IQVIA, while the Group also recorded a decrease in revenue of 12.9% as the first time decrease in the past 5 years.

Moreover, 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 pharmaceutical companies' developments. In recent years, policies such as VBP and NRDL have been creating significant impacts to the industry.

However, the Group continued to introduce measures to 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. In addition, the Group intends to further strengthen its R&D capabilities and develop its pipeline product candidates.

In December 2020, Lipusu®, being the Group's paclitaxel formulation with innovative liposome delivery system, has been included in the category B of the new Catalogue of NRDL. All indications of Lipusu®, including non-small cell lungs Cancer, ovarian and breast cancer, are reimbursed under the NRDL. The inclusion of Lipusu® in the NRDL demonstrates that NHSA recognizes, among other factors, the clinical value, patients benefit and novelty of Lipusu®. This will also allow more patients to be able to afford Lipusu®, increase its penetration into the relevant indications, and provide momentum to its long-term growth.

The Group also put a lot of effort on the academic studies of the marketed products. The Group's major product Lipusu has been recommended under the 2020 Chinese Society of Clinical Oncology (中國臨床腫瘤學會) ("CSCO") guidelines (the "Guidelines") on diagnosis and treatment of breast cancer for first-line rescue chemotherapy for Her2-negative advanced breast cancer. The Group believes that the inclusion of Lipusu in the Guidelines represents a high recognition of its clinical value, which will significantly increase its penetration into the relevant indications.

In January 2021, the marketing registration of Risperidone Microspheres for Injection (II) ("LY03004", 瑞欣妥®) has been approved by the NMPA of China. It is the first innovative formulation developed under the Group's long acting and extended technology platform that received marketing approval. 瑞欣妥® is an extended-release microspheres for injection administered bi-weekly for the treatment of schizophrenia.

Compared to orally administered antipsychotics, long-acting formulations do not require daily administration, and are thus better received by patients and could lower the sense of self-stigmatization associated with their diseases. Patients are also less unlikely to skip drug administration, and face a lower risk of drug overdose with long-acting drugs. Patients using long-acting injectables have steady plasma drug levels and will not suffer an immediate relapse when drugs are not administered in a timely manner due to a slower drop of plasma drug level. 瑞欣妥® can significantly improve the medication compliance issues which are common among patients with schizophrenia in relation to oral antipsychotic drugs, and simplify the treatment regimen.

瑞欣妥® also has several advantages over another marketed long-acting injectable drug. For example, unlike the reference drug, there is no need for administration of the oral formulation following the first injection of 瑞欣妥®. Furthermore, steady plasma drug levels can be reached much faster with 瑞欣妥® than with the reference product. Thus, patients at acute phase who are less compliant and cooperative can benefit from the fast symptom control afforded by 瑞欣妥®. After the discontinuation of use, the concentration of 瑞欣妥® in human body drops markedly faster than that of the reference drug, making it convenient for doctors to adjust dosage according to patients' conditions. Patients using 瑞欣妥® also have stable clinically effective plasma drug level and can benefit from more convenient clinical treatment as a result.

In addition to 瑞欣妥®, during the year ended 31 December 2020, the Group has made remarkable progresses in R&D fields. In China, the marking registration of Rivastigmine Patch (金斯明®) has also been approved by NMPA; the MAA for LY01008 has been accepted by CDE, NMPA; LY03005 completed primary endpoint observation for phase III clinical trial; LY06006 completed the last dosing for all subjects in phase III clinical trial; LY09004 completed the first patient dosing in phase III clinical trial; LY01011 commenced phase III clinical trial; LY03012 completed phase I clinical trial; LY-CovMab completed the enrollment of subjects in phase I clinical trial; LY03014 commenced enrolment of subjects in phase I clinical trial; the clinical trial application of LY01616, LY01017, LY01018 and LY03013 has been approved by CDE, NMPA; the IND application of LY01015 and LY09606 have been formally accepted by CDE, NMPA. Internationally, the NDA of LY03005 has been formally accepted by the U.S. FDA; the MAA of LY30410 has been accepted for review by EU competent authorities; the clinical trial application of LY06006/LY01011 has been

approved by the U.S. FDA and the PEI; LY03010 commenced pivotal study in the U.S.; LY03003 completed phase I clinical trial in Japan; LY03009 commenced phase I clinical trial in Australia; the Group received the CRL regarding the NDA of LY03004 from the U.S. FDA and is working closely with its API partners and the U.S. FDA to address the issues raised in the letter.

For sales and distribution of oncology products, with the Lipusu® included in the NRDL, the Group will deepen the penetration of market coverage into lower-tier hospitals. For sales and distribution of CNS products, the Group has built a CNS sales team of over 110 representatives. With the market synergy of Seroquel and Seroquel XR, the two products (瑞欣妥® and 金斯明®) approved to be marketed in China will become the Group's new growth points. For global markets, the Group will continuously search regional partners. The Group's Rivastigmine MD is expected to be approved in 2021, it will contribute to the growth of the Group's global sales.

Additionally, Boan Biotech has developed more than 10 innovative antibody products with international intellectual property protection and eight biosimilar products. Its diversified products will also contribute to the long term growth of the Group.

Looking forward to the whole year, significant changes have taken place for the macro-economic environment. The outbreak of the COVID-19 and the global economic fluctuations have brought new challenges to the daily operation of the industry. Facing these challenges, the Group needs to further improve the management efficiency and put more efforts to the R&D of key products, speeding up the launch of the pipeline product candidates. Externally, the Group will keep penetrating into the domestic and international markets with advantages, widely seeking outside cooperation opportunities to ensure the business maintains high-quality and healthy growth.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's revenue amounted to approximately RMB5,539.6 million, as compared to RMB6,357.9 million for the year ended 31 December 2019, representing a decrease of approximately RMB818.3 million, or 12.9%. The decrease is mainly attributable to lower sales from few of the Group's key products.

For the year ended 31 December 2020, the Group's revenue from sales of oncology products decreased to RMB2,235.2 million, as compared to RMB2,811.5 million for the year ended 31 December 2019, representing an decrease of approximately RMB576.3 million, or 20.5%, primarily attributable to the decrease in average selling price and sales volume of various key oncology products of the Group.

For the year ended 31 December 2020, revenue from sales of cardiovascular system products decreased to RMB1,004.5 million, as compared to RMB1,043.2 million for the year ended 31 December 2019, representing an decrease of approximately RMB38.7 million, or 3.7%, primarily attributable to the decrease in sales volume of various cardiovascular system products of the Group.

For the year ended 31 December 2020, revenue from sales of alimentary tract and metabolism products decreased to RMB733.4 million, as compared to RMB1,004.6 million for the year ended 31 December 2019, representing an decrease of approximately RMB271.2 million, or 27.0%, primarily attributable to the decrease in average selling price of key alimentary tract and metabolism products of the Group and decrease in sales volume of various other alimentary tract and metabolism products of the Group.

For the year ended 31 December 2020, revenue from CNS products increased to RMB1,401.5 million, as compared to RMB1,339.1 million for the year ended 31 December 2019, representing an increase of approximately RMB62.4 million or 4.7%, primarily attributable to higher sales from Seroquel.

For the year ended 31 December 2020, revenue from sales of other products increased to RMB165.1 million, as compared to RMB159.4 million for the year ended 31 December 2019, representing an increase of approximately RMB5.7 million, or 3.6%, 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 RMB1,478.7 million for the year ended 31 December 2019 to approximately RMB1,549.0 million for the year ended 31 December 2020, which accounted for approximately 28.0% of the Group's total revenue for the same year. The Group's increase in cost of sales margin was mainly attributable to the decrease in average selling price of few of the Group's key products for the year ended 31 December 2020, as compared to year 2019.

Gross Profit

For the year ended 31 December 2020, the Group's gross profit decreased to RMB3,990.6 million, as compared to RMB4,879.2 million for the year ended 31 December 2019, representing a decrease of approximately RMB888.6 million, or 18.2%. The gross profit margin of 72.0%, as compared to 76.7% for the year ended 31 December 2019 decreased mainly due to decrease in average selling price of few key products of the Group for the year ended 31 December 2020, as compared to year 2019.

Other Income and Gains

The Group's other income and gains mainly comprised of government grants, interest income and investment income. For the year ended 31 December 2020, the Group's other income and gains increased to RMB403.3 million, as compared to RMB333.6 million for the year ended 31 December 2019, representing an increase of approximately RMB69.7 million, or 20.9%. The increase was mainly attributable to higher government grant recognised during the year and higher interest income.

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 year ended 31 December 2020, the Group's selling and distribution expenses amounted to RMB1,663.9 million, as compared to RMB2,034.8 million for the year ended 31 December 2019, representing a decrease of RMB370.9

million, or 18.2%. The decrease was mainly attributable to decreased promotional activities for the Group's products, staff cost and conference expenses. On the other hand, as a percentage of revenue, the Group's selling and distribution expenses decreased to 30.0% as compared to 32.0% for the year ended 31 December 2019.

Administrative Expenses

The Group's administrative expenses primarily consisted of staff cost, general operating expense, conference and entertainment expense, travel and transportation expense, depreciation, amortisation and impairment loss, auditor's remuneration, consulting expenses, bank charges, taxation and other administrative expenses. For the year ended 31 December 2020, the Group's administrative expenses amounted to approximately RMB521.5 million, as compared to RMB529.3 million for the year ended 31 December 2019, representing a decrease of approximately RMB7.8 million, or 1.5%. The slight decrease was mainly due to lower other administrative costs/expenses and offset by slightly higher staff cost during the year.

Other Expenses

The Group's other expenses primarily consisted of R&D costs, foreign exchange losses, donations, loss on disposals of property, plant and equipment and miscellaneous expenses. For the year ended 31 December 2020, the Group's other expenses amounted to approximately RMB844.1 million, as compared to RMB720.5 million for the year ended 31 December 2019, representing an increase of approximately RMB123.6 million, or 17.2%. The increase was mainly due to increase in R&D costs during the year.

Finance Costs

For the year ended 31 December 2020, the Group's finance costs amounted to RMB424.0 million, as compared to RMB295.5 million for the year ended 31 December 2019, representing an increase of approximately RMB128.5 million, or 43.5%. The increase was mainly due to convertible bonds interest and the higher level of monthly average outstanding bank borrowings for the year ended 31 December 2020 as compared to the corresponding year ended 31 December 2019.

Income Tax Expense

For the year ended 31 December 2020, the Group's income tax expense amounted to RMB238.9 million, as compared to RMB279.8 million for the year ended 31 December 2019, representing a decrease of RMB40.9 million, or 14.6%. The effective tax rate for the year ended 31 December 2020 is 25.4% as compared to 17.1% for the year ended 31 December 2019.

Net Profit

The Group's net profit for the year ended 31 December 2020 was approximately RMB703.3 million, as compared to RMB1,354.1 million for the year ended 31 December 2019, representing a decrease of approximately RMB650.8 million, or 48.1%.

Liquidity, Financial and Capital Resources

As at 31 December 2020, the Group had net current assets of approximately RMB2,736.3 million, as compared to approximately RMB3,819.5 million as at 31 December 2019. The current ratio of the Group decreased slightly to approximately 1.4 as at 31 December 2020 from approximately 1.7 as at 31 December 2019. The decrease in net current assets was mainly attributable to higher level of loans and borrowings in current liability.

Borrowings and Pledge of Assets

As at 31 December 2020, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB8,170.6 million, as compared to approximately RMB6,718.6 million as at 31 December 2019. Amongst the loans and borrowings, approximately RMB5,642.9 million are repayable within one year, and approximately RMB2,527.7 million are repayable after one year. RMB4,779.2 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, property, plant and equipment and notes receivable. As at 31 December 2020, the Group's borrowings were primarily denominated in RMB, Euro, HK dollar and U.S. dollar, and the cash and cash equivalents were primarily denominated in RMB, Euro and U.S. dollars.

Gearing Ratio

As at 31 December 2020, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to 100.9% from 75.3% as at 31 December 2019. The increase was primarily due to an increase in the Group's total borrowings taken during the reporting period.

Contingent Liabilities

As at the date of this announcement, a subsidiary of the Group, was involved in arbitration proceedings commenced by the previous distributor of Seroquel in Mainland China disputing the subsidiary's basis of terminating the distribution agreement with such distributor. The Directors, based on information currently available to the Group and preliminary assessment taking into account the advice from the Group's relevant legal counsel in relation to the arbitration proceedings, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the arbitration, other than for the related legal and other costs.

Foreign Exchange and Exchange Rate Risk

The Group primarily operates in the PRC and is exposed to foreign currency risk arising from fluctuations in exchange rate between RMB and other currencies in which the Group conducts its business. The Group is subject to foreign currency risk attributable to the bank balances, trade and other receivables and payables as well as bank loans that are denominated in currencies other than RMB. The Group seeks to limit the exposure to foreign currency risk by minimising its net foreign currency position. The Group did not enter into any hedging transactions in respect of foreign currency

risk as at 31 December 2020. The directors of the Company (the "Directors") expect that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operation of the Group.

Issuance of Convertible Bonds

On 9 July 2019, the Company issued 1.50%. convertible bonds with an aggregate principal amount of US$300,000,000. There was no movement in the number of these convertible bonds during the year. The bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK$8.15 per share at any time on or after 19 August 2019 and up to the close of business on the date falling ten days prior to 9 July 2024. The bonds are redeemable at the option of the bondholders at a 3.75%. gross yield upon early redemption. Any convertible bonds not converted will be redeemed on 9 July 2024 at 112.25%. of its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 1.50%. per annum, which is payable semi-annually in arrears on 9 January and 9 July. For further details, please refer to the announcements of the Company dated 24 June 2019 and 9 July 2019, and the announcements on adjustment to conversion price dated 5 September 2019 and 29 June 2020.

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. As at 31 December 2020, the Board has not granted any share to employees (2019: 25,206,000) under the Scheme.

Hedging Activities

As at 31 December 2020, the Group did not use any financial instruments for hedging purposes and did not enter into any hedging transactions in respect of foreign currency risk or interest rate risk.

Significant Investments Held

As at 31 December 2020, 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 REPORTING PERIOD

On 2 February 2021, the Board announced that the respective conditions of the investment and subscription of equity interests in Boan Biotech by the investors have been fulfilled, and completion has taken place. For further details, please refer to the Company's announcements dated 28 December 2020, 4 January 2021, 18 January 2021 and 26 January 2021.

On 29 January 2021, the Company and Hillhouse NEV Holdings Limited ("Hillhouse NEV") entered into a subscription agreement, pursuant to which Hillhouse NEV has agreed to subscribe for 292,406,881 new shares of HK$4.28 per share to be issued by the Company, representing 9.00% of the existing issued share capital of the Company as at the date of the announcement dated 31 January 2021 (the "Announcement") and approximately 8.26% of the issued share capital of the Company as enlarged by the subscription shares.

The Company has been informed by LuYe Pharmaceutical Investment Co., Ltd ("LuYe Investment"), a controlling shareholder of the Company, that on 29 January 2021, it entered into a sale and purchase agreement with Hillhouse NEV, pursuant to which LuYe Investment has agreed to sell, and Hillhouse NEV has agreed to buy, 259,917,227 shares, representing 8.00% of the existing issued share capital of the Company as at the date of the Announcement, for HK$4.28 per share.

Immediately following the completion of the transactions under the subscription agreement and the sale and purchase agreement, Hillhouse NEV becomes a holder of a total of 552,324,108 shares, representing approximately 15.60% of the issued share capital of the Company as enlarged by the subscription shares. Following the completion of the subscription and the sale, Hillhouse NEV becomes a substantial shareholder and a connected person of the Company.

For details of the information, please refer to the Announcements.

FINAL DIVIDEND

No dividends were declared for the year ended 31 December 2020 (2019: RMB0.054 (equivalent of HK$0.060) per share).

CLOSURE OF REGISTER OF SHAREHOLDERS

The Company's annual general meeting will be held on Wednesday, 16 June 2021. For determining the entitlement to attend and vote at the annual general meeting, the register of shareholders of the Company will be closed from Thursday, 10 June 2021 to Wednesday, 16 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, 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 Tuesday, 9 June 2021.

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 SEHK (the "Listing Rules") as its own code of corporate governance.

As at 31 December 2020 and up to the date of this announcement, the Company has complied with all the applicable code provisions set out in the CG Code, except for the following deviation:

Code provision A.2.1 of the CG Code

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") set out in 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 year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has repurchased and cancelled a total of 20,000,000 Shares during the year ended 31 December 2020. Save for the aforesaid repurchase of Shares, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries for the year ended 31 December 2020.

AUDIT COMMITTEE

The audit committee has reviewed together with the Board the accounting principles and policies adopted by the Group, the audited annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2020. The audit committee also approved the annual results and the consolidated financial statements for the year ended 31 December 2020 and submitted them to the Board for approval.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2020 ANNUAL REPORT

In accordance with the requirements under the Listing Rules applicable to the reporting period, the 2020 annual report containing all the information about the Company set out in this announcement including the financial results for the year ended 31 December 2020 will be posted on the Company's website (www.luye.cn) and the website of SEHK (www.hkexnews.hk) and despatched to the shareholders of the Company in due course.

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

Hong Kong, 31 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. LIU Dian Bo, Mr. YANG Rong Bing, Mr. YUAN Hui Xian and Ms. ZHU Yuan Yuan; the non-executive directors are Mr. SONG Rui Lin and Mr. SUN Xin; 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.