LUYE PHARMA GROUP LTD.

绿叶制药集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 02186)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue decreased by RMB10.5 million or 0.4% to RMB2,951.7 million, as compared to the six months ended 30 June 2020.
- Gross profit decreased by RMB244.2 million or 11.1% to RMB1,953.7 million, as compared to the six months ended 30 June 2020, and gross profit margin was 66.2%.
- Net profit decreased by RMB132.3 million or 24.5% to RMB408.0 million, as compared to the six months ended 30 June 2020. Normalised net profit** decreased by RMB84.7 million or 13.4% to RMB546.0 million as compared to the six months ended 30 June 2020.
- Profit attributable to shareholders decreased by RMB152.8 million or 28.3% to RMB386.6 million, as compared to the six months ended 30 June 2020. Normalised profit attributable to shareholders** decreased by RMB105.2 million or 16.7% to RMB524.6 million as compared to the six months ended 30 June 2020.
- EBITDA decreased by RMB207.6 million or 17.9% to RMB954.7 million, as compared to the six months ended 30 June 2020. Normalised EBITDA* decreased by RMB158.0 million or 13.3% to RMB1,027.8 million as compared to the six months ended 30 June 2020.
- Earnings per share was RMB11.32 cents compared to RMB16.90 cents for the six months ended 30 June 2020.
- No interim dividend was proposed by the Board for the six months ended 30 June 2021.

* Normalised EBITDA is defined as the EBITDA excluding fair value adjustment of redemption liabilities and fair value adjustment of contingent considerations.

** Normalised net profit and Normalised profit attributable to shareholders are defined as the net profit and profit attributable to shareholders excluding fair value adjustment of redemption liabilities, fair value adjustment of contingent considerations and convertible bonds interest expense.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Luye Pharma Group Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the corresponding period of 2020, as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**2,951,664**	2,962,201
Cost of sales		**(997,983)**	(764,336)
Gross profit		**1,953,681**	2,197,865
Other income and gains	*5*	**162,288**	181,568
Selling and distribution expenses		**(770,728)**	(873,863)
Administrative expenses		**(281,873)**	(248,018)
Other expenses		**(379,309)**	(351,022)
Finance costs	*7*	**(195,981)**	(222,981)
Share of profit of an associate		**358**	1,026
PROFIT BEFORE TAX	*6*	**488,436**	684,575
Income tax expense	*8*	**(80,446)**	(144,247)
PROFIT FOR THE PERIOD		**407,990**	540,328
Attributable to:			
Owners of the parent		**386,585**	539,416
Non-controlling interests		**21,405**	912
		407,990	540,328
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic (RMB)		**11.32 cents**	16.90 cents
Diluted (RMB)		**11.29 cents**	16.86 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**407,990**	540,328
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(7,663)**	(6,127)
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	**34,372**	6,221
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**26,709**	94
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**434,699**	540,422
Attributable to:		
Owners of the parent	**413,294**	539,510
Non-controlling interests	**21,405**	912
	434,699	540,422

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**3,837,869**	3,677,698
Advance payments for property, plant and equipment and other intangible assets		**367,568**	323,678
Right-of-use assets		**324,607**	337,960
Goodwill		**1,026,641**	1,056,583
Other intangible assets		**4,947,138**	4,770,004
Investment in an associate		**8,626**	8,640
Long-term receivables		**8,000**	8,000
Equity investments designated at fair value through other comprehensive income		**98,886**	61,556
Financial assets at fair value through profit or loss		**1,263**	1,263
Pledged time deposits		**200,000**	300,000
Deferred tax assets		**124,871**	114,743
Total non-current assets		**10,945,469**	10,660,125
CURRENT ASSETS			
Inventories		**626,736**	612,303
Trade and notes receivables	*12*	**1,768,725**	1,553,089
Prepayments, other receivables and other assets		**517,619**	470,508
Due from related parties	*18(b)*	**1,186**	—
Financial assets at fair value through profit or loss		**1,249,141**	1,431,907
Restricted cash		**36,834**	37,473
Pledged time deposits		**1,604,768**	1,890,776
Time deposits with original maturity of over three months		**150,000**	109,000
Cash and cash equivalents		**4,943,646**	3,865,385
Total current assets		**10,898,655**	9,970,441
CURRENT LIABILITIES			
Trade and notes payables	*13*	**722,619**	485,262
Other payables and accruals		**627,418**	727,679
Derivative financial instruments		**—**	22,563
Interest-bearing bank and other borrowings	*14*	**4,662,160**	5,642,855
Government grants		**81,363**	45,193
Tax payable		**238,549**	308,346
Due to related parties	*18(b)*	**4,422**	2,196
Total current liabilities		**6,336,531**	7,234,094
NET CURRENT ASSETS		**4,562,124**	2,736,347
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,507,593**	13,396,472

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,507,593**	13,396,472
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**2,401,428**	2,527,715
Convertible bonds	*15*	**1,843,264**	1,810,930
Long-term payables		**51,681**	52,199
Contingent consideration payables	*16*	**322,481**	638,556
Redemption liabilities on non-controlling interests	*17*	**952,750**	—
Employee defined benefit obligation		**7,738**	8,080
Government grants		**166,407**	185,657
Deferred tax liabilities		**64,137**	74,320
Total non-current liabilities		**5,809,886**	5,297,457
Net assets		**9,697,707**	8,099,015
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**455,835**	417,991
Treasury shares		**(279,558)**	(279,558)
Share premium		**1,815,686**	1,042,005
Equity component of convertible bonds		**292,398**	292,398
Reserves		**6,854,890**	6,418,395
Equity attributable to owners of the parent		**9,139,251**	7,891,231
Non-controlling interests		**558,456**	207,784
Total equity		**9,697,707**	8,099,015

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 was approved and authorised by the board of directors on 27 August 2021.

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

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

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

In the opinion of the directors, the ultimate holding company of the Company is Luye Life Sciences Group Ltd., which is incorporated in Bermuda.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("**IFRS(s)**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*

The nature and impact of the revised IFRSs are described below:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in foreign currencies based on various Interbank Offered Rates as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

4 OPERATING SEGMENT INFORMATION

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

For the six months ended 30 June 2021 (Unaudited)

	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						
Sales of products and know-how	**926,998**	**800,653**	**458,331**	**692,795**	**71,327**	**2,950,104**
Out-licensing agreements	**—**	**—**	**—**	**1,560**	**—**	**1,560**
Total revenue	**926,998**	**800,653**	**458,331**	**694,355**	**71,327**	**2,951,664**
Segment results	**590,934**	**325,883**	**68,874**	**179,691**	**17,571**	**1,182,953**
Other income and gains						**162,288**
Administrative expenses						**(281,873)**
Other expenses						**(379,309)**
Finance costs						**(195,981)**
Share of profit of an associate						**358**
Profit before tax						**488,436**

For the six months ended 30 June 2020 (Unaudited)

	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						
Sales of products	1,334,214	429,507	391,313	746,335	60,832	2,962,201
Total revenue	1,334,214	429,507	391,313	746,335	60,832	2,962,201
Segment results	771,863	153,170	104,106	272,149	22,714	1,324,002
Other income and gains						181,568
Administrative expenses						(248,018)
Other expenses						(351,022)
Finance costs						(222,981)
Share of profit of an associate						1,026
Profit before tax						684,575

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers	**2,951,664**	2,962,201
Other income and gains		
Bank interest income	**55,091**	43,574
Government grants	**54,177**	92,668
Changes in fair value of investments	**23,673**	243
Investment income from financial instruments at fair value through profit or loss	**25,244**	26,387
Interest income on loans to a related party	**—**	1,283
Foreign exchange gain, net	**—**	15,076
Others	**4,103**	2,337
	162,288	181,568

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**150,336**	135,324
Amortisation of other intangible assets	**106,483**	105,837
Depreciation of right-of-use assets	**13,441**	13,526
Auditor's remuneration	**2,900**	2,200
Research and development costs	**303,742**	326,142
Cost of products sold	**997,983**	764,336
Foreign exchange loss, net	**1,164**	—
Share-based payment expense	**25,495**	31,984
Remeasurement of contingent considerations	**45,608**	23,582
Fair value adjustment of redemption liabilities on non-controlling interests	**27,473**	—
Loss on disposal of non-current assets	**165**	31

7. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans	**119,280**	137,647
Interest on convertible bonds	**64,971**	66,809
Interest on discounted notes receivable	**6,604**	4,573
Interest on discounted letters of credit	**4,748**	11,646
Interest on lease liabilities	**378**	799
Amortised interest on discounted long-term payables	**—**	1,507
	195,981	222,981

8. INCOME TAX

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

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax	**100,508**	148,294
Deferred tax	**(20,062)**	(4,047)
Total tax charge for the period	**80,446**	144,247

9. DIVIDEND

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Final dividend declared and paid — nil (2019: RMB0.054) per ordinary share	**—**	175,487

Note: No interim dividend was declared by the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,414,484,434 (six months ended 30 June 2020: 3,191,219,590) in issue during the period. The number of shares for the current period has been arrived at after eliminating the shares of the Company held under the share award scheme and shares repurchased.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as 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 conversion of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**386,585**	539,416
Interest on convertible bonds	**64,971**	66,809
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**451,556***	606,225

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period in the basic earnings per share calculation	**3,414,484,434**	3,191,219,590
Effect of dilution — weighted average number of ordinary shares:		
Equity-settled share award scheme	**10,971,775**	7,324,059
Convertible bonds	**296,760,759**	291,231,055
	3,722,216,968*	3,489,774,704

* Because the diluted earnings per share amount is increased when taking the convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the period of RMB386,585,000, and the weighted average number of ordinary shares of 3,425,456,209 in issue during the period.

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Carrying amount at beginning of period	**3,677,698**	3,276,293
Additions	**323,889**	666,604
Depreciation provided during the period	**(150,336)**	(268,223)
Exchange realignment	**(8,776)**	5,247
Disposals	**(4,606)**	(2,223)
Carrying amount at end of period	**3,837,869**	3,677,698

As at 30 June 2021, the Group was applying for the certificates of ownership for certain properties with a net book value of RMB108,755,000 (31 December 2020: RMB110,123,000). The directors (the "**Directors**") of the Company are of the opinion that the use of the properties and the conduct of operating activities of the aforementioned properties is not affected by the fact the Group has not yet obtained the relevant property title certificates. The Group is not able to assign, transfer or mortgage these assets until these certificates are obtained.

As at 30 June 2021, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB458,165,000 (31 December 2020: RMB186,649,000) were pledged to secure bank loans (note 14).

12. TRADE AND NOTES RECEIVABLES

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Trade receivables	**1,453,388**	954,645
Notes receivable	**318,953**	602,614
	1,772,341	1,557,259
Less: Impairment of trade receivables	**(3,616)**	(4,170)
	1,768,725	1,553,089

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

The notes receivable are due within twelve months. As at 30 June 2021, notes receivable of RMB318,953,000 (31 December 2020: RMB602,614,000) 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 the six months ended 30 June 2021.

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

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Less than 3 months	**1,394,106**	887,792
Between 3 and 6 months	**44,414**	47,101
Between 6 and 12 months	**13,023**	17,067
Between 1 and 2 years	**653**	1,267
Over 2 years	**1,192**	1,418
	1,453,388	954,645

As at 30 June 2021, the Group has pledged notes receivable of RMB6,302,000 (31 December 2020: Nil) and intra-group notes receivable of RMB20,000,000 (31 December 2020: RMB15,000,000) to secure notes payable (note 13).

As at 30 June 2021, the Group has pledged notes receivable of RMB5,860,000 (31 December 2020: RMB177,135,000) and intra-group notes receivable of RMB175,000,000 (31 December 2020: RMB10,000,000) to secure bank loans (note 14).

As at 30 June 2021, notes receivable and intra-group notes receivable of RMB19,955,000 (31 December 2020: RMB929,000) and RMB470,000,000 (31 December 2020: RMB540,975,000) were discounted.

As at 30 June 2021, the Group endorsed certain notes receivable accepted by the certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade and other payables due to such suppliers with a carrying amount in aggregate of RMB350,962,000 (31 December 2020: RMB256,227,000) (the "Endorsement"). The Endorsed Notes have a maturity from one to twelve months as at 30 June 2021. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement").

In the opinion of the Directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with amount of RMB277,514,000 (31 December 2020: RMB167,955,000) (the "**Derecognised Notes**"). Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade and other payables settled by the Endorsed Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

The Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade and other payables settled with an amount of RMB73,448,000 as at 30 June 2021 (31 December 2020: RMB88,272,000) because the Directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes.

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

13. TRADE AND NOTES PAYABLES

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Trade payables	**485,106**	326,172
Notes payable	**237,513**	159,090
	722,619	485,262

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

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Less than 3 months	**572,951**	456,647
Between 3 and 6 months	**88,839**	17,952
Between 6 and 12 months	**55,675**	6,516
Between 1 and 2 years	**2,511**	2,042
Over 2 years	**2,643**	2,105
	722,619	485,262

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

As at 30 June 2021, the Group's notes payable were secured by certain of the Group's notes receivable, intra-group notes receivable, other unlisted investments and time deposits amounting to approximately RMB6,302,000 (31 December 2020: Nil) (note 12), RMB20,000,000 (31 December 2020: RMB15,000,000) (note 12), RMB24,572,000 (31 December 2020: RMB90,000,000) and RMB180,021,000 (31 December 2020: RMB54,090,000), respectively.

The maturity dates of the notes payable are within twelve months.

14. INTEREST-BEARING LOANS AND BORROWINGS

As at 30 June 2021

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans — secured			
RMB70,093,126 bank loan	1-year LPR+0.94	20 December 2021	70,093
RMB45,000,000 bank loan	1-year LPR-0.14	12 March 2022	45,000
RMB200,200,000 bank loan	1-year LPR+0.15	19 March 2022	200,200
RMB200,000,000 bank loan	1-year LPR+0.20	11 March 2022	200,000
RMB100,000,000 bank loan	1-year LPR+0.20	3 March 2022	100,000
RMB95,116,111 bank loan	1-year LPR+0.15	27 August 2021	95,116
RMB150,163,125 bank loan	4.35	18 April 2022	150,163
RMB125,000,000 bank loan	3.70	21 July 2021	125,000
RMB125,000,000 bank loan	3.70	3 August 2021	125,000
RMB175,000,000 bank loan	4.10	21 August 2021	175,000
RMB50,000,000 bank loan	4.50	4 November 2021	50,000
RMB91,599,316 bank loan	4.25	19 July 2021	91,599
RMB43,084,202 bank loan	4.00	13 September 2021	43,084
RMB80,444,930 bank loan	4.00	17 September 2021	80,445
RMB27,227,200 bank loan	4.00	15 October 2021	27,227
RMB56,270,875 bank loan	4.00	17 December 2021	56,271
RMB81,511,111 bank loan	4.00	9 July 2021	81,511
RMB20,331,111 bank loan	4.00	28 July 2021	20,331
RMB73,000,000 bank loan	4.50	7 January 2022	73,000
RMB57,000,000 bank loan	4.10	21 December 2021	57,000
RMB150,000,000 bank loan	4.10	1 April 2022	150,000
RMB49,000,000 bank loan	4.80	28 March 2022	49,000
RMB99,041,807 bank loan	4.13	18 June 2022	99,042
RMB300,000,000 bank loan	4.13	29 July 2021	300,000
RMB80,000,000 bank loan	4.35	7 December 2021	80,000
RMB50,000,000 bank loan	4.00	20 August 2021	50,000
RMB50,000,000 bank loan	4.30	4 January 2022	50,000
RMB5,460,000 bank loan	1-year LPR+0.30	28 December 2021	5,460
US$15,000,000 bank loan	1.70	21 July 2021	98,450
EUR18,000,000 bank loan	1.30	10 February 2022	139,116
EUR12,000,000 bank loan	1.80	15 October 2021	92,234
EUR12,600,000 bank loan	3-month EURIBOR+1.00	11 August 2021	96,978
EUR10,000,000 bank loan	1.35	20 May 2022	76,894
EUR8,757,399 bank loan	1.35	13 May 2022	67,339
EUR30,000,000 bank loan	3-month EURIBOR+0.60	20 April 2022	230,864
EUR1,200,000 bank loan	1.50	20 August 2021	9,232
EUR13,400,000 bank loan	1.30	12 March 2022	103,404

	Effective interest rate (%)	Maturity	*RMB'000*
Current portion of long-term bank loans — secured			
RMB10,088,813 bank loan	4.90	21 December 2021	10,089
RMB10,088,813 bank loan	4.90	21 June 2022	10,089
RMB1,026,976 bank loan	4.60	12 November 2021	1,027
RMB17,561,296 bank loan	4.60	12 May 2022	17,561
RMB5,000,000 bank loan	5-year LPR+0.05	15 April 2022	5,000
US$2,700,000 bank loan	3-month LIBOR+2.85	30 June 2022	17,442
US$20,700,000 bank loan	3-month LIBOR+2.85	30 June 2022	133,724
US$21,560,400 bank loan	3-month LIBOR+2.85	30 June 2022	139,282
US$3,413,730 bank loan	3-month LIBOR+2.85	30 June 2022	22,053
EUR81,492.29 bank loan	3-month EURIBOR+1.70	14 August 2021	626
Discounted notes receivable	3.80	1 September 2021	29,877
	2.85	27 August 2021	99,533
	3.90	13 August 2021	139,333
	4.20	17 September 2021	49,504
	4.20	20 September 2021	49,534
	2.80	20 August 2021	640
	2.80	18 September 2021	1,000
	2.80	1 October 2021	687
	2.80	27 November 2021	500
	2.80	11 December 2021	784
	2.75	23 December 2021	12,590
	2.80	28 December 2021	3,754
	3.90	13 August 2021	10,000
	2.95	8 September 2021	49,990
	3.19	9 November 2021	39,529
Discounted letters of credit	4.15	27 January 2022	48,923
	3.90	21 January 2022	195,945
Lease liabilities	3.99	30 June 2022	9,091
			4,662,160

	Effective interest rate (%)	Maturity	*RMB'000*
Non-current			
Bank loans — secured			
RMB125,000,000 bank loan	4.90	21 December 2022 – 6 June 2025	125,000
RMB245,000,000 bank loan	5-year LPR+0.05	15 October 2022 – 30 September 2026	245,000
RMB343,583,210 bank loan	4.60	11 November 2022 – 30 September 2026	343,583
US$11,709,515 bank loan	3-month LIBOR+2.85	30 June 2023 – 30 June 2025	75,645
US$89,721,442 bank loan	3-month LIBOR+2.85	30 June 2023 – 30 June 2025	579,609
US$93,561,959 bank loan	3-month LIBOR+2.85	30 June 2023 – 30 June 2025	604,420
US$17,191,011 bank loan	3-month LIBOR+2.85	30 June 2023 – 30 June 2025	111,056
EUR40,393,298 bank loan	3-month EURIBOR+1.70	14 August 2022 – 14 August 2023	310,471
Lease liabilities	3.99	1 July 2022 – 30 August 2023	6,644
			2,401,428
Total interest-bearing loans and borrowings			7,063,588
Convertible bonds	7.29	2021 – 2024	1,843,264
			8,906,852

As at 31 December 2020

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans — secured			
RMB50,063,135 bank loan	1-year LPR+0.08	2 March 2021	50,064
RMB70,093,126 bank loan	1-year LPR+0.94	20 December 2021	70,093
RMB200,229,583 bank loan	1-year LPR+0.08	19 March 2021	200,230
RMB100,123,750 bank loan	1-year LPR	24 March 2021	100,124
RMB200,247,500 bank loan	1-year LPR	14 March 2021	200,248
RMB95,116,111 bank loan	1-year 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	21 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 EURIBOR+1.00	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	4 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

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

(i) the pledge of certain of the Group's time deposits of RMB743,601,000 (31 December 2020: RMB1,099,995,000);

(ii) the pledge of certain of the Group's notes receivable of RMB5,860,000 (31 December 2020: RMB177,135,000) (note 12);

(iii) the pledge of certain of the Group's intra-group notes receivable of RMB175,000,000 (31 December 2020: RMB10,000,000) (note 12);

(iv) the pledge of certain of the Group's property, plant and equipment, which had an aggregate carrying value at the end of the reporting period of approximately RMB458,165,000 (31 December 2020: RMB186,649,000) (note 11);

(v) the pledge of certain of the Group's other unlisted investments with a carrying amount of nil (31 December 2020: RMB200,000,000); and

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

15. CONVERTIBLE BONDS

On 9 July 2019, the Company issued 1.50 per cent 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 period. 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 per cent gross yield upon early redemption. Any convertible bonds not converted will be redeemed on 9 July 2024 at 112.25 per cent of its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 1.50 per cent per annum, which is payable semi-annually in arrears on 9 January and 9 July. As at 30 June 2021, the conversion price was HK$7.90 per share after adjustment as a result of the declaration of the dividends. None of the convertible bonds were repaid or redeemed during the period.

16. CONTINGENT CONSIDERATION PAYABLES

As part of the sale and purchase agreement in relation to the acquisition of 山東博安生物技術股份有限公司 (Shandong Boan Biological Technology Co. Ltd.) ("**Boan Biotech**"), portions of the consideration were determined to be contingent, based on 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. The movement of the fair value of contingent consideration payables was as follows:

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
At the beginning of period	**638,556**	—
Arising from acquisition of Boan Biotech	**—**	614,795
Payment	**(361,683)**	—
Fair value changes	**45,608**	23,761
At the end of period	**322,481**	638,556

The fair values of the contingent consideration payables were determined using discounted cash flow method and are within Level 3 fair value measurement.

17. REDEMPTION LIABILITIES ON NON-CONTROLLING INTERESTS

In January 2021, Boan Biotech, a subsidiary of Shandong Luye Pharmaceutical Co., Ltd. ("**Shandong Luye**"), completed financing from 18 third-party investors ("**Investors**") at a total consideration of RMB876,618,000. Significant terms of the subscription agreements that will impact the accounting treatment of the Group are outlined below:

Redemption rights held by non-controlling shareholders:

Pursuant to the subscription agreements signed by and among Investors, the Company, and Shandong Luye, shares of the Investors shall be redeemable by Shandong Luye upon the occurrence of certain contingent events which cannot be controlled by Boan Biotech, Shandong Luye and the Company, including: (i) a qualified public offering of Boan Biotech cannot be completed by 31 December 2024; (ii) a qualified public offering of Boan Biotech cannot be achieved due to material integrity issue of existing shareholders, directors or senior managements, or due to material internal control weaknesses resulted from existing shareholders or management; (iii) a qualified public offering of Boan Biotech cannot be achieved due to the auditor does not give an unqualified opinion; or (iv) the Group does not receive approval in connection with the application of proposed spin-off listing of Boan Biotech from the SEHK.

The redemption price shall be determined by Investors based on 1) the amount that would give Investors a ten percent internal return rate for their investments in Boan Biotech plus all accrued but unpaid dividends; or 2) the then fair value of shares held by the Investors, and in any case the redemption price shall be not greater than three times of the respective investor's total contribution amount. The put option granted to non-controlling shareholders give rise to financial liabilities.

	Redemption liabilities (Unaudited) ***RMB'000***
At 1 January 2021	**—**
Recognition	**925,277**
Changes in fair value	**27,473**
At 30 June 2021	**952,750**

The fair values of the redemption liabilities were determined using discounted cash flow method and are within Level 3 fair value measurement. Significant unobservable input to the valuation of redemption liabilities on non-controlling interests is as follows:

Discount rate	7.6%

18. RELATED PARTY TRANSACTIONS

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

Company	**Relationship**
Steward Cross Pte. Ltd. ("**Steward Cross**")	Associate
Shandong International Biotech Park Development Co., Ltd. ("**Biotech Park Development**")	An entity controlled by the controlling shareholder
Luye Investment Group Co. Ltd. ("**LIG**")	An entity controlled by the controlling shareholder
Luye Boston R&D LLC. ("**Luye Boston**")	An entity controlled by the controlling shareholder

(a) The Group had the following transactions with related parties during the six months ended 30 June 2021 and 2020:

	Notes	For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
Sales of products to:			
Steward Cross	*(i)*	**4,546**	2,663
Interest income from:			
LIG	*(ii)*	**—**	1,283
Receipts of repayments from:			
LIG	*(ii)*	**—**	103,795
Lease from:			
Biotech Park Development	*(iii)*	**1,147**	1,206
Luye Boston	*(iii)*	**1,101**	—
		2,248	1,206

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 loans bear interests of 4.35% to 6.18% per annum.

(iii) The service fees were charged with reference to prices mutually agreed between the parties.

(b) Outstanding balances with related parties:

	Note	**30 June 2021 (Unaudited)** ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Due from related parties:			
Steward Cross	*(i)*	**1,186**	—
Due to related parties:			
Biotech Park Development	*(i)*	**2,701**	2,196
Luye Boston	*(i)*	**1,721**	—
		4,422	2,196

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group focuses on developing, producing, marketing and selling innovative pharmaceutical products in four of the largest and 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 six months ended 30 June 2021, the Group's business was influenced by the pandemic of novel coronavirus disease 2019 ("**COVID-19**") and global economic fluctuations but still maintained stability. The Group recorded a revenue decrease of 0.4% in the first half of 2021 as compared to that of 2020. The Group continually invests in Research and Development ("**R&D**") to maintain its competitiveness, and has a robust product pipeline including 33 China pipeline product candidates and 13 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 first half of 2021. The Group's portfolio of oncology products includes Lipusu, the first and only paclitaxel liposome product approved for sale globally as of 30 June 2021, 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 fourth largest market for pharmaceutical products in the PRC in the first half of 2021. 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 fourth largest vasoprotective pharmaceutical product in China in the first half of 2021, respectively. According to IQVIA, alimentary tract and metabolism-related pharmaceutical products constituted the second largest market for pharmaceutical products in the PRC in the first half of 2021. According to IQVIA, the Group was the second largest domestic pharmaceutical manufacturer of oral diabetic medications in China in the first half of 2021 measured by revenue. IQVIA data showed that CNS-related pharmaceutical products constituted the fifth largest market for pharmaceutical products in the PRC in the first half of 2021. The Group's key product Seroquel was the fifth largest product in schizophrenia therapeutic area and the largest quetiapine product in terms of sales in the PRC in the first half of 2021.

For international markets, the Group's products are mainly positioned in CNS therapeutic area, including Seroquel, Seroquel XR, Rivastigmine once-daily transdermal patch, Rivastigmine multi-day transdermal patch, Fentanyl patches and Buprenorphine patches.

For the six months ended 30 June 2021, the Group's revenue from cardiovascular system products increased by 86.4% to RMB800.7 million. Revenue from alimentary tract and metabolism products increased by 17.1% to RMB458.3 million. Revenue from sales of oncology products decreased by 30.5% to RMB927.0 million. Revenue from CNS products decreased by 7.0% to RMB694.4 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. As of 30 June 2021, Lipusu represented the first and only paclitaxel liposome product approved for sale globally. 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 first half of 2021. 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 30 June 2021. According to IQVIA, the market for lipid-regulating drugs in China was estimated to be approximately RMB4.6 billion in the first half of 2021. According to IQVIA, Xuezhikang ranked as the most popular natural medicine for the treatment of hypercholesterolaemia and the fourth largest lipid-regulating drug in China in the first half of 2021.

Maitongna® (麥通納®)

Maitongna is sodium aescinate in injectable form and is indicated for the treatment of cerebral edema and edema caused by trauma or surgery as well as for the treatment of venous reflux disorder. According to IQVIA, the market for vasoprotective pharmaceutical products in China was estimated to be approximately RMB1.9 billion in the first half of 2021. Maitongna was the best-selling sodium aescinate product in China in the first half of 2021 and ranked as the third largest domestically manufactured vasoprotective pharmaceutical product in China in the first half of 2021.

Bei Xi® (貝希®)

Bei Xi is acarbose in capsule form and is indicated for lowering blood glucose in patients with type 2 diabetes mellitus. According to the NMPA, the Group was the only manufacturer of acarbose in capsule form in the first half of 2021. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB0.6 billion in the first half of 2021 and Bei Xi ranked as the second largest domestic pharmaceutical manufacturer of oral diabetic medications in China in the first half of 2021 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 fifth largest product in schizophrenia therapeutic area and the largest quetiapine product in the PRC in the first half of 2021. 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. The Group has expanded its R&D capability to biological sector supported by Boan Biotech's three cutting-edge platforms, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology and ADC Technology 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 30 June 2021, the Group's R&D team consisted of 856 employees, including 82 Ph.D. degree holders and 430 Master's degree holders in medical, pharmaceutical and other related areas. As at 30 June 2021, the Group had been granted over 235 patents and had over 74 pending patent applications in the PRC, as well as over 595 patents and over 119 pending patent applications overseas.

The Group will continue to invest the products in four strategic therapeutic areas — oncology, CNS, cardiovascular and alimentary tract and metabolism. As at 30 June 2021, the Group had 33 PRC pipeline product candidates in various stages of development. These candidates included 13 oncology products, 13 CNS products and 7 other products.

Also, the Group had 13 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 4 pipeline product candidates (LY03003, LY03010, LY06006/LY01011) are in different clinical trial stages. In Europe, one pipeline product candidate (LY30410) is eligible for marketing authorization in several European Union ("**EU**") countries and 4 products (LY30990, LY03004, LY06006/LY01011) are under different clinical trial stages. In Japan, 3 pipeline product candidates (LY03003, LY03005, LY30410) are under clinical trial stages.

For global R&D progress:

In January 2021, the Group's monthly microspheres injection product candidate LY03009, commenced phase I clinical trial in Australia. LY03009 is one of the Group's key CNS 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) 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).

In May 2021, the Decentralised Registration Procedures ("**DCPs**") in the EU in relation to the Marketing Authorization Applications ("**MAA**") for Rivastigmine Multi-Day Transdermal Patch ("**Rivastigmine MD**" or "**LY30410**") was completed. Rivastigmine MD is an innovative delivery system drug being developed by the Group for the treatment of mild to moderate dementia associated with Alzheimer's disease. Since the DCPs had completed on 21 May 2021, the Rivastigmine MD is now eligible for Marketing Authorizations ("**MA**") by individual member states of the EU involved in the DCPs.

In August 2021, the Group has submitted the investigational new drug ("**IND**") application for its new CNS drug LY03015 to the Food and Drug Administration ("**FDA**") of the U.S.. LY03015 is an innovative small molecule compound product indicated for the treatment of tardive dyskinesia ("**TD**") and Huntington's disease ("**HD**"), developed by the Group. LY03015 is a new generation VMAT2 inhibitor, and can reduce the symptoms of TD and HD by inhibiting the release of presynaptic dopamine ("**DA**"), preventing the stimulation of supersensitive D2 receptors by DA without blocking D2 receptors in the postsynaptic membrane.

For China R&D progress:

In January 2021, the marketing registration of Risperidone Microspheres for Injection (II) ("**LY03004**", Rykindo®) 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. Rykindo®/LY03004 is an extended-release microspheres for injection administered bi-weekly for the treatment of schizophrenia.

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 中國國家藥品監督管理局藥品審評中心 (China Centre For Drug Evaluation of National Medical Products Administration) (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. In May 2021, LY09606 has obtained approval from the CDE to initiate clinical trials.

In March 2021, the Group's Class 1 new drug LPM3480392 injection ("**LY03014**") commenced enrolment of subjects in phase I clinical trial in China. LY03014 is a small molecule Gi protein biased at mu-opioid receptor (MOR) agonist, indicated for the treatment of postoperative moderate-to-severe acute pain and breakthrough cancer pain.

In March 2021, a phase III clinical trial of the Group's Class 1 new chemical entity (NCE) product Anshufaxine Hydrochloride Extended-release Tablets ("**LY03005**") in the treatment of Major Depressive Disorder (MDD) in China met the predefined endpoints. LY03005 is a new antidepressant agent developed by the new therapeutic entity/new chemical entity (NTE/NCE) technology platform of the Group. Studies reveal that Anshufaxine is a serotonin (5-HT)-norepinephrine (NE)-dopamine (DA) reuptake inhibitor (SNDRIs). In June 2021, the marketing authorization application of LY03005 has been accepted by the CDE.

For Boan Biotech progress:

In January 2021, all subjects under the phase I clinical trial in China for LY-CovMab completed enrolment with LY-CovMab. LY-CovMab is an innovative biological antibody product indicated for COVID-19, developed by Boan Biotech. 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 May 2021, LY-CovMab completed phase I clinical trial in China. The results show that LY-CovMab has a good safety and tolerability profile. It provides a clear reference for later clinical trials. In June 2021, Boan Biotech has submitted the IND application for its new drug LY-CovMab to the FDA of the U.S.. This submission in the U.S. is in relation to a phase II clinical study evaluating the efficacy, safety, tolerability, pharmacokinetics and immunogenicity of LY-CovMab injection in patients with mild to moderate COVID-19. It is expected that Phase II clinical trial in relation to the drug will be carried out in multiple countries around the world.

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 the meanwhile, the Denosumab Injections (Prolia® biosimilar, LY06006/Xgeva® biosimilar, LY01011) are undergoing phase I clinical trials in Europe.

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 May 2021, LY01015 has obtained the approval from the NMPA to initiate clinical trials.

In May 2021, the marketing registration in relation to the Bevacizumab injection ("**LY01008**", Boyounuo) product of Boan Biotech has been approved by the NMPA for the treatment of advanced, metastatic or recurrent non-small cell lung cancer and metastatic colorectal cancer. It is the first antibody drug developed by Boan Biotech which received marketing approval. In July 2021, LY01008 has been approved by the NMPA for the treatment of recurrent glioblastoma.

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 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.

In August 2021, the Group has entered into an agreement with Zuellig Pharma, a leading healthcare service group in Asia, under which the Company grants Zuellig Pharma exclusive rights to distribute Seroquel (quetiapine fumarate, immediate release) and Seroquel XR (extended release formulation) in Malaysia and Brunei.

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 first half of 2021. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,850 distributors that collectively enabled the Group to sell its products to over 18,800 hospitals, which comprised approximately 2,200 or approximately 87.0% of all Class III hospitals, approximately 5,500 or approximately 64.0% of all Class II hospitals and approximately 11,000 or approximately 57.0% of all Class I and other hospitals and medical institutions, in the PRC in the first half of 2021. 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.

In May 2021, Boan Biotech granted AstraZeneca the exclusive promotion rights in relation to Boyounuo ("**LY01008**", Bevacizumab injection) in the county markets of 21 provinces, cities and autonomous regions in the Mainland China. Under the abovementioned partnership, Boan Biotech and AstraZeneca will work closely together, playing to the strengths of each other, to consolidate and expand the business and market coverage of Boyounuo and enable more patients to benefit from the drug in China.

Business Collaborations

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.

In March 2021, Boan Biotech has entered into a cooperation with Horizon Discovery using its CHOSOURCE CHO-K1 GS ("**CHOSOURCE**") Knockout expression platform for development of products. CHOSOURCE has a successful track record in the discovery and development of biopharmaceuticals; from applications in transient expression during research and early development to the generation of stable cell lines for clinical and commercial cGMP production of biotherapeutics. These include traditional monoclonal antibodies as well as fusion proteins, novel multi-specific antibodies and complex molecular architectures and scaffolds.

As mentioned above, the Group has granted Italfarmaco Group the exclusive rights to commercialize Rivastigmine MD in Germany, Italy, Portugal and Greece in March 2021. Italfarmaco will also have a preferential right to market Rivastigmine MD in Chile and Vietnam. Boan Biotech has granted AstraZeneca the exclusive promotion rights of Boyounuo in the county markets of 21 provinces, cities and autonomous regions in the Mainland China in May 2021.

Manufacturing

For the six months ended 30 June 2021, 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 LY01008 (Boyounuo) has successfully passed the inspection by the NMPA. 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.

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%.

In the fifth round of national VBP in February 2021, there are 62 products on the procurement list. The Group's products were not included in this round of procurement.

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

The Group's business was influenced by the Chinese medical insurance policy, market factors as well as the pandemic of COVID-19, it recorded a decrease in revenue of 0.4%.

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 Chinese Society of Clinical Oncology (中國臨床腫瘤學會) guidelines (the "**Guidelines**") on diagnosis and treatment of breast cancer for first-line rescue chemotherapy for Her2-negative advanced breast cancer and also as a first-line drug on diagnosis and treatment of primary lung 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, Rykindo®) has been approved by the NMPA. It is the first innovative formulation developed under the Group's long acting and extended technology platform that received marketing approval. Rykindo® 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. Rykindo® 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.

Rykindo® 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 Rykindo®. Furthermore, steady plasma drug levels can be reached much faster with Rykindo® 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 Rykindo®. After the discontinuation

of use, the concentration of Rykindo® 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 Rykindo® also have stable clinically effective plasma drug level and can benefit from more convenient clinical treatment as a result.

In May 2021, the marketing registration in relation to the Bevacizumab injection (LY01008, Boyounuo) product of Boan Biotech has been approved by the NMPA for the treatment of advanced, metastatic or recurrent non-small cell lung cancer and metastatic colorectal cancer. It is the first antibody drug developed by Boan Biotech which received marketing approval. In July 2021, LY01008 has been approved by the NMPA for the treatment of recurrent glioblastoma.

Boyounuo is an anti-VEGF humanized monoclonal antibody injection and a biosimilar to Avastin® independently developed by Boan Biotech. Avastin® has been approved worldwide for the treatment of non-small cell lung cancer, metastatic colorectal cancer, glioblastoma, renal cell carcinoma, cervical cancer, ovarian cancer and other solid tumors. Its significant efficacy and well safety have been widely recognized. According to the "Guidelines on Similarity Evaluation and Indication Extrapolation of Biosimilars" (《生物類似藥相似性評價和適應症外推技術指導原則》), Boyounuo can be gradually applied and approved for all indications of Avastin® approved in China. According to the data from IQVIA, global sales of Bevacizumab injection were US$6.09 billion, and sales in China were RMB3.63 billion in 2020.

In May 2021, Rivastigmine MD is eligible for marketing authorization by individual member states in the European Union.

Rivastigmine MD is a twice-weekly innovative patch formulation of Rivastigmine for the treatment of mild to moderate dementia associated with Alzheimer's disease. The product was developed by the Group on its proprietary transdermal patch platform and is one of the Group's core products in the CNS therapeutic field.

Rivastigmine is in a class of medicines called cholinesterase inhibitors. Such medicines can improve cognitive functions, such as memory and thinking, by increasing the amount of a certain natural substance in the brain and amplifying the communication channels between nerve cells, which are less active in individuals with mild to moderate Alzheimer's disease. The drug is currently available in the form of tablets and patches.

Rivastigmine MD requires lower frequency of application than the Rivastigmine once-daily patches generally available in the market, enabling it to improve patients' medication adherence. Due to its transdermal route of administration, Rivastigmine MD is convenient for patients who have difficulty in swallowing, and it might have the potential to lower the incidence of gastrointestinal adverse reactions such as nausea and vomiting compared with the oral form. The Group has filed, and been issued, a portfolio of international patents protecting Rivastigmine MD.

In addition to Rykindo®, Boyounuo and Rivastigmine MD during the six months ended 30 June 2021, the Group has made remarkable progresses in R&D fields. In China, the marketing authorization application of LY03005 has been accepted by the CDE; LY06006 completed the last dosing for all subjects in phase III clinical trial; LY09004 completed the first patient dosing in phase III clinical trial; LY-CovMab completed phase I clinical trial; LY03014 commenced enrolment of subjects in phase I clinical trial; the clinical trial application of LY01015, LY09606 has been approved by the CDE. Internationally, LY-CovMab has submitted the IND application for phase II clinical trial in the U.S.; LY03003 completed phase I clinical trial in Japan; LY03009 commenced phase I clinical trial in Australia; LY03015 has submitted the IND application in the U.S..

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. Boan Biotech has also established a sales & marketing team to commercialize Boyounuo in main market of China. In the meanwhile, Boan Biotech granted AstraZeneca the exclusive promotion rights of Boyounuo in the county markets of 21 provinces, cities and autonomous regions in China in May 2021. Boan Biotech and AstraZeneca will work closely together, playing to the strengths of each other, to consolidate and expand the business and market coverage of Boyounuo and enable more patients to benefit from the drug in China.

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 has been approved in EU market, 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 COVID-19, the global economic fluctuations and policy changes 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 six months ended 30 June 2021, the Group's revenue amounted to approximately RMB2,951.7 million, as compared to RMB2,962.2 million for the six months ended 30 June 2020, representing a decrease of approximately RMB10.5 million, or 0.4%. The amount included sales of product know-how which comprised approximately 16.3% of total revenue. The decrease was mainly attributable to decrease in sales of some of the Group's key products.

For the six months ended 30 June 2021, revenue from sales of oncology products decreased to RMB927.0 million, as compared to RMB1,334.2 million for the six months ended 30 June 2020, representing a decrease of approximately RMB407.2 million, or 30.5%, primarily attributable to the decrease in average selling price of the key oncology product of the Group.

For the six months ended 30 June 2021, revenue from sales of cardiovascular system products increased to RMB800.7 million, as compared to RMB429.5 million for the six months ended 30 June 2020, representing an increase of approximately RMB371.2 million, or 86.4%, primarily attributable to the increase in sales volume of a few cardiovascular system products of the Group.

For the six months ended 30 June 2021, revenue from sales of alimentary tract and metabolism products increased to RMB458.3 million, as compared to RMB391.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB67.0 million, or 17.1%, primarily attributable to the increase in the sales volume of some alimentary tract and metabolism products of the Group.

For the six months ended 30 June 2021, revenue from sales of CNS products decreased to RMB694.4 million, as compared to RMB746.3 million for the six months ended 30 June 2020, representing a decrease of approximately RMB51.9 million or 7.0%, primarily attributable to the decrease in sales of CNS products.

For the six months ended 30 June 2021, revenue from sales of other products increased to RMB71.3 million, as compared to RMB60.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB10.5 million, or 17.3%, 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 RMB764.3 million for the six months ended 30 June 2020 to approximately RMB998.0 million for the six months ended 30 June 2021, which accounted for approximately 33.8% of the Group's total revenue for the same period.

Gross Profit

For the six months ended 30 June 2021, the Group's gross profit decreased to RMB1,953.7 million, as compared to RMB2,197.9 million for the six months ended 30 June 2020, representing a decrease of approximately RMB244.2 million, or 11.1%. The gross profit margin of 66.2%, which decreased slightly as compared to 74.2% for the six months ended 30 June 2020 mainly due to the drop in selling price of some products and higher sales of slightly lower margin products.

Other Income and Gains

The Group's other income and gains mainly comprised of government grants, interest income and investment income. For the six months ended 30 June 2021, the Group's other income and gains decreased to RMB162.3 million, as compared to RMB181.6 million for the six months ended 30 June 2020, representing a decrease of approximately RMB19.3 million, or 10.6%. The decrease was mainly attributable to decrease in government grants recognised during the period.

Selling and Distribution Expenses

The Group's selling and distribution expenses consisted of expenses that were directly related to the Group's marketing, promotion and distribution activities. For the six months ended 30 June 2021, the Group's selling and distribution expenses amounted to RMB770.7 million, as compared to RMB873.9 million for the six months ended 30 June 2020, representing a decrease of RMB103.2 million, or 11.8%. The decrease was mainly attributable to decrease in promotion expenses and conference expenses. On the other hand, as a percentage of revenue, the Group's selling and distribution expenses decreased from 29.5% for the six months ended 30 June 2020 to 26.1% for the six months ended 30 June 2021, primarily as a result of the lower selling and distribution expense margin and higher sales of lower expense product.

Administrative Expenses

The Group's administrative expenses primarily consisted of staff cost, general operating expenses, conference and entertainment expenses, travel and transportation expenses, depreciation, amortisation and impairment loss, auditor's remuneration, consulting expenses, bank charges, taxation and other administrative expenses. For the six months ended 30 June 2021, the Group's administrative expenses amounted to approximately RMB281.9 million, as compared to RMB248.0 million for the six months ended 30 June 2020, representing an increase of approximately RMB33.9 million, or 13.7%. The increase was primarily attributable to higher staff cost and taxation during the period.

Other Expenses

The Group's other expenses primarily consisted of its R&D costs, changes in fair value of financial instruments, donations, loss on disposals of property, plant and equipment and miscellaneous expenses. For the six months ended 30 June 2021, the Group's other expenses amounted to approximately RMB379.3 million, as compared to RMB351.0 million for the six months ended 30 June 2020,

representing an increase of approximately RMB28.3 million, or 8.1%. The increase was mainly due to a fair value adjustment on contingent considerations and fair value adjustment on redemption liabilities during the period.

Finance Costs

For the six months ended 30 June 2021, the Group's finance costs amounted to RMB196.0 million, as compared to RMB223.0 million for the six months ended 30 June 2020, representing a decrease of approximately RMB27.0 million, or 12.1%. The decrease was mainly due to lower level of monthly average outstanding bank borrowings and convertible bonds interests during the six months ended 30 June 2021 as compared to the corresponding period of 2020.

Income Tax Expense

For the six months ended 30 June 2021, the Group's income tax expense amounted to RMB80.4 million, as compared to RMB144.2 million for the six months ended 30 June 2020, representing a decrease of RMB63.8 million, or 44.2%. The effective tax rates for the six months ended 30 June 2021 and 2020 were 16.5% and 21.1%, respectively.

Net Profit

The Group's net profit for the six months ended 30 June 2021 was approximately RMB408.0 million, as compared to RMB540.3 million for the six months ended 30 June 2020, representing a decrease of approximately RMB132.3 million, or 24.5%.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2021, the Group had net current assets of approximately RMB4,562.1 million, as compared to approximately RMB2,736.3 million as at 31 December 2020. The current ratio of the Group increased slightly to approximately 1.7 as at 30 June 2021 from approximately 1.4 as at 31 December 2020. The increase in net current assets was mainly attributable to lower level of loans and borrowings in current liability.

Borrowings and Pledge of Assets

As at 30 June 2021, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB7,063.6 million, as compared to approximately RMB8,170.6 million as at 31 December 2020. Amongst the loans and borrowings, approximately RMB4,662.2 million are repayable within one year, and approximately RMB2,401.4 million are repayable after one year. RMB3,775.5 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, other unlisted investments and notes receivable. As at 30 June 2021, the Group's borrowings were primarily denominated in RMB, Euro and U.S. dollars, and the cash and cash equivalents were primarily denominated in RMB, Euro and U.S. dollars.

Gearing Ratio

As at 30 June 2021, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to 72.8% from 100.9% as at 31 December 2020. The decrease was primarily due to a decrease 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 30 June 2021. 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 per cent 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 period. 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 per cent gross yield upon early redemption. Any convertible bonds not converted will be redeemed on 9 July 2024 at 112.25 per cent of its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 1.50 per cent per annum, which is payable semiannually 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.

Use of proceeds of issue of new shares

On 29 January 2021, the Company and Hillhouse NEV Holdings Limited ("**Hillhouse NEV**") entered into the Subscription Agreement, pursuant to which Hillhouse NEV subscribed for 292,406,881 new Shares issued by the Company, representing approximately 8.26% of the issued share capital of the Company as enlarged by the issue of such new Shares. The Subscription Price was HK$4.28 per Share. The Subscription Price represents a premium of approximately 10.03% over the closing price of HK$3.89 per Share as quoted on the Stock Exchange on 29 January 2021, being the date of the Subscription Agreement. For further details, please refer to the announcements of the Company dated 31 January 2021.

The net proceeds from the issue of new shares are approximately RMB1,044,477,000 (approximately US$161,411,163). The Group's plan was to apply such net proceeds to refinance the Group's indebtedness and for general corporate purposes. As of 30 June 2021, the entire amount of the net proceeds had been allocated or applied to repay loans of the Group.

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 30 June 2021, the Board has not granted any share to employees (2020: Nil) under the Scheme.

Hedging Activities

As at 30 June 2021, 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 30 June 2021, 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

The Group did not have any significant subsequent events after the interim period ended 30 June 2021.

LEGAL PROCEEDINGS

A subsidiary of the Group is currently involved in an arbitration brought by the former 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 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 litigation, other than the related legal and other costs.

INTERIM DIVIDEND

No interim dividend was declared by the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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.

During the six months ended 30 June 2021, the Company has complied with all the applicable code provisions set out in the CG Code, save and except for the deviation from Code provision A.2.1 of the CG Code, which requires the roles of chairman and chief executive officer should be separate and performed by different individuals.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") of Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 8 February 2021, the Company allotted and issued 292,406,881 new shares of the Company at HK$4.28 per Share in cash to Hillhouse NEV Holdings Limited pursuant to the subscription agreement dated 29 January 2021.

Save as disclosed above, there was no purchase, sale or redemption by of the Company or any of its subsidiaries of any listed securities of the Company for the six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited interim condensed consolidated financial statements and interim results announcement of the Group for the six months ended 30 June 2021 and recommended its adoption by the Board.

In addition, the independent auditor of the Company, Ernst & Young, has reviewed the unaudited interim results for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE INTERIM RESULTS AND 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.luye.cn), and the 2021 interim report containing all the information required by the Listing Rules will be despatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 August 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.