LUYE PHARMA GROUP LTD.

绿叶制药集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 02186)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue decreased by RMB339.4 million or 6.1% to RMB5,200.2 million, as compared to the year ended 31 December 2020.
- EBITDA decreased by RMB970.2 million or 51.7% to RMB906.9 million, as compared to the year ended 31 December 2020. Normalised EBITDA* decreased by RMB596.4 million or 30.6% to RMB1,355.3 million as compared to the year ended 31 December 2020.
- Gross profit decreased by RMB593.9 million or 14.9% to RMB3,396.7 million, as compared to the year ended 31 December 2020, and gross profit margin was 65.3%.
- Net profit decreased by RMB848.1 million or 120.6% to RMB–144.8 million, as compared to the year ended 31 December 2020. Normalised net profit** decreased by RMB475.8 million or 52.2% to RMB435.0 million as compared to the year ended 31 December 2020.
- Profit attributable to shareholders decreased by RMB841.0 million or 119.0% to RMB–134.4 million, as compared to the year ended 31 December 2020. Normalised profit attributable to shareholders** decreased by RMB473.8 million or 51.9% to RMB439.0 million as compared to the year ended 31 December 2020.
- Research and development expenses decreased by RMB106.7 million or 13.5% to RMB683.2 million, as compared to the year ended 31 December 2020. Total research and development costs were RMB1,476.4 million (2020: RMB1,258.1 million) of which RMB793.3 million (2020: RMB468.3 million) was capitalised.
- Earnings per share was RMB–3.90 cents compared to RMB22.17 cents for the year ended 31 December 2020.
- No dividend was proposed by the Board for the year ended 31 December 2021.

* Normalised EBITDA is defined as the EBITDA for the year excluding the equity-settled share award expense, fair value change on contingent consideration payable, fair value adjustment of redemption liabilities on non-controlling interests and provision for legal claim.

** Normalised net profit and profit attributable to shareholders is defined as the net profit and profit attributable to shareholders for the year excluding the equity-settled share award expense, fair value changes on contingent consideration payable, fair value adjustment of redemption liabilities on non-controlling interests, convertible bond interest expense and provision for legal claim.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Luye Pharma Group Ltd. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	Notes	**2021**	2020
		RMB'000	*RMB'000*
REVENUE	*5*	**5,200,226**	5,539,641
Cost of sales		**(1,803,486)**	(1,549,027)
Gross profit		**3,396,740**	3,990,614
Other income and gains	*5*	**330,690**	403,290
Selling and distribution expenses		**(1,704,780)**	(1,663,893)
Administrative expenses		**(570,844)**	(521,482)
Other expenses		**(1,127,606)**	(844,079)
Finance costs	*7*	**(399,458)**	(424,002)
Share of profit of an associate		**701**	1,726
(LOSS)/PROFIT BEFORE TAX	*6*	**(74,557)**	942,174
Income tax expense	*8*	**(70,226)**	(238,909)
(LOSS)/PROFIT FOR THE YEAR		**(144,783)**	703,265
Attributable to:			
Owners of the parent		**(134,392)**	706,586
Non-controlling interests		**(10,391)**	(3,321)
		(144,783)	703,265
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*10*	**(3.90) cents**	22.17 cents
Diluted (RMB)	*10*	**(3.90) cents**	22.12 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2021	2020
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(144,783)**	703,265
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(30,534)**	54,985
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(30,534)**	54,985
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	**6,178**	3,561
Income tax effect	**(491)**	—
Remeasurement on defined benefit plan	**788**	1,370
Income tax effect	**(68)**	(66)
	720	1,304
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**6,407**	4,865
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(24,127)**	59,850
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(168,910)**	763,115
Attributable to:		
Owners of the parent	**(158,519)**	766,436
Non-controlling interests	**(10,391)**	(3,321)
	(168,910)	763,115

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,858,491**	3,677,698
Advance payments for property, plant and equipment and other intangible assets		**390,989**	323,678
Right-of-use assets		**344,990**	337,960
Goodwill		**985,413**	1,056,583
Other intangible assets		**5,441,833**	4,770,004
Investment in an associate		**8,659**	8,640
Long-term receivables		**8,380**	8,000
Equity investments designated at fair value through other comprehensive income		**95,273**	61,556
Financial assets at fair value through profit or loss	*12*	**478,263**	1,263
Pledged time deposits		**440,000**	300,000
Deferred tax assets		**133,106**	114,743
Total non-current assets		**12,185,397**	10,660,125
CURRENT ASSETS			
Inventories		**746,344**	612,303
Trade and notes receivables	*11*	**1,765,096**	1,553,089
Prepayments, other receivables and other assets		**1,039,538**	470,508
Financial assets at fair value through profit or loss	*12*	**2,684,198**	1,431,907
Restricted cash		**31,982**	37,473
Pledged time deposits		**1,303,395**	1,890,776
Time deposits with original maturity of over three months		**387,859**	109,000
Cash and cash equivalents		**2,438,252**	3,865,385
Total current assets		**10,396,664**	9,970,441

	Notes	2021 *RMB'000*	2020 *RMB'000*
CURRENT LIABILITIES			
Trade and notes payables	*13*	**570,890**	485,262
Other payables and accruals		**1,318,092**	729,875
Derivative financial instruments		**—**	22,563
Interest-bearing loans and borrowings	*14*	**5,263,216**	5,642,855
Government grants		**31,353**	45,193
Tax payable		**141,142**	308,346
Dividend payable		**5,500**	—
Total current liabilities		**7,330,193**	7,234,094
NET CURRENT ASSETS		**3,066,471**	2,736,347
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,251,868**	13,396,472
NON-CURRENT LIABILITIES			
Convertible bonds		**1,870,654**	1,810,930
Interest-bearing loans and borrowings	*14*	**2,356,923**	2,527,715
Contingent consideration payables		**334,378**	638,556
Government grants		**209,387**	185,657
Employee defined benefit obligation		**6,793**	8,080
Redemption liabilities on non-controlling interest		**1,202,818**	—
Deferred tax liabilities		**57,874**	74,320
Other non-current liabilities		**99,138**	52,199
Total non-current liabilities		**6,137,965**	5,297,457
Net assets		**9,113,903**	8,099,015

	2021	2020
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**455,835**	417,991
Treasury shares	**(279,558)**	(279,558)
Share premium	**1,715,981**	1,042,005
Equity component of convertible bonds	**292,398**	292,398
Reserves	**6,303,467**	6,418,395
	8,488,123	7,891,231
Non-controlling interests	**625,780**	207,784
Total equity	**9,113,903**	8,099,015

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act on 2 July 2003. It was listed on the Singapore Exchange Securities Trading Limited (the "SGX") on 5 May 2004, and has been delisted on the SGX 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 (the "Stock Exchange").

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

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

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, notes receivable, derivative financial instruments, redemption liabilities on non-controlling interests and contingent consideration payables, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) 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 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 Renminbi based on the Loan Prime Rate ("LPR"), Euro based on the Euro Interbank Offered Rate ("EURIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group expects that LPR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's LPR-based borrowings. For the EURIBOR-based borrowings and LIBOR-based borrowings, since the interest rates of these

instruments were not replaced by RFRs during the year, the amendments 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 the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(b) Amendments to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

3.1 Significant accounting judgements and estimates

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred in accordance with the accounting policy for research and development costs. Determining the amounts to be capitalised requires management to make assumptions and judgements regarding to technical feasibility of completing the intangible asset, future economic benefits and so forth.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was RMB985,413,000 (2020: RMB1,056,583,000).

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 11.

Leases — Estimating the incremental borrowing rate

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to deductible temporary differences as at 31 December 2021 was RMB133,106,000 (2020: RMB114,743,000).

Income tax

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4 OPERATING SEGMENT INFORMATION

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

Year ended 31 December 2021

	Oncology drugs *RMB'000*	Cardio-vascular system drugs *RMB'000*	Alimentary tract and metabolism drugs *RMB'000*	Central nervous system drugs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*						
Sale of products	**1,057,492**	**1,361,310**	**898,455**	**1,172,808**	**136,605**	**4,626,670**
Sale of product know-how	**339,938**	**65,970**	**—**	**74,092**	**—**	**480,000**
Provision of research and development services	**16,691**	**—**	**—**	**851**	**—**	**17,542**
Out-licensing agreements	**—**	**—**	**—**	**76,014**	**—**	**76,014**
Total revenue	**1,414,121**	**1,427,280**	**898,455**	**1,323,765**	**136,605**	**5,200,226**
Segment results	**690,627**	**408,935**	**93,307**	**469,668**	**29,423**	**1,691,960**
Other income and gains						**330,690**
Administrative expenses						**(570,844)**
Other expenses						**(1,127,606)**
Finance costs						**(399,458)**
Share of profit of an associate						**701**
Loss before tax						**(74,557)**

Year ended 31 December 2020

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

5 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**5,200,226**	5,539,641

Revenue from contracts with customers

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

For the year ended 31 December 2021

	Oncology drugs *RMB'000*	Cardio-vascular system drugs *RMB'000*	Alimentary tract and metabolism drugs *RMB'000*	Central nervous system drugs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Types of goods or services						
Sale of products	**1,057,492**	**1,361,310**	**898,455**	**1,172,808**	**136,605**	**4,626,670**
Sale of product know-how	**339,938**	**65,970**	**—**	**74,092**	**—**	**480,000**
Provision of research and development services	**16,691**	**—**	**—**	**851**	**—**	**17,542**
Out-licensing agreements	**—**	**—**	**—**	**76,014**	**—**	**76,014**
Total revenue from contracts with customers	**1,414,121**	**1,427,280**	**898,455**	**1,323,765**	**136,605**	**5,200,226**
Geographical markets						
Mainland China	**1,414,121**	**1,411,110**	**894,424**	**399,366**	**118,507**	**4,237,528**
Asia (other than Mainland China)	**—**	**16,170**	**2,887**	**423,999**	**792**	**443,848**
European Union	**—**	**—**	**986**	**243,089**	**—**	**244,075**
Other countries	**—**	**—**	**158**	**257,311**	**17,306**	**274,775**
Total revenue from contracts with customers	**1,414,121**	**1,427,280**	**898,455**	**1,323,765**	**136,605**	**5,200,226**
Timing of revenue recognition						
Transferred at a point in time	**1,397,430**	**1,427,280**	**898,455**	**1,322,914**	**136,605**	**5,182,684**
Transferred over time	**16,691**	**—**	**—**	**851**	**—**	**17,542**
Total revenue from contracts with customers	**1,414,121**	**1,427,280**	**898,455**	**1,323,765**	**136,605**	**5,200,226**

For the year ended 31 December 2020

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

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

	2021 ***RMB'000***	2020 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**67,021**	49,408

(ii) ***Performance obligations***

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

Sale of products

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

Sale of product know-how

The performance obligation is satisfied upon acceptance of the product know-how and payment is generally within one year.

Provision of research and development services

The performance obligation is satisfied over time as services are rendered and payment is generally due within six months from the date of billing.

Out-licensing agreements

The performance obligation is satisfied upon granting the license and payment is generally due within 30 days from the date of billing.

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

	2021	2020
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**39,640**	67,021
After one year	**—**	18,978
	39,640	85,999

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

	2021	2020
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**101,996**	109,170
Dividend income from equity investments at fair value through other comprehensive income	**9,573**	—
Government grants	**118,328**	199,893
Investment income from financial assets at fair value through profit or loss	**78,117**	40,646
Interest income on loans to a related party	**—**	1,235
Foreign exchange gain, net	**—**	49,750
Gain on disposal of items of property, plant and equipment	**11,357**	87
Others	**11,319**	2,509
	330,690	403,290

6 (LOSS)/PROFIT BEFORE TAX

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

	2021	2020
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**309,211**	268,223
Depreciation of right-of-use assets	**33,516**	27,480
Amortisation of other intangible assets*	**239,255**	215,196
Write-down of inventories to net realisable value**	**18,421**	6,125
Impairment of trade receivables, net	**(519)**	(392)
Lease payments not included in the measurement of lease liabilities	**14,931**	9,658
Auditor's remuneration	**10,648**	9,840
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**719,797**	631,688
Pension scheme contributions***	**148,599**	90,645
Pension plan costs (defined benefit plan)	**1,552**	2,455
Central Provident Fund in Singapore***	**2,408**	1,824
Staff welfare expenses	**49,770**	48,653
Equity-settled share award expense	**49,976**	50,904
	972,102	826,169
Other expenses:		
Research and development costs	**683,156**	789,869
Net foreign exchange loss	**24,091**	—
Donation	**1,130**	3,085
Remeasurement of contingent considerations	**57,505**	23,761
Fair value losses on derivative financial instruments	**—**	22,563
Fair value adjustment of redemption liabilities on non-controlling interests	**67,450**	—
Changes in fair value of financial assets at fair value through profit or loss	**14,808**	3,458
Provision for legal claim	**273,482**	—
Others	**5,984**	1,343
	1,127,606	844,079

	2021	2020
	RMB'000	*RMB'000*
Cost of inventories sold	**1,785,944**	1,549,027
Cost of services provided	**17,542**	—
The "Cost of sales" amount includes the following expenses which are also included in the respective total amounts of the items disclosed above:		
Depreciation of items of property, plant and equipment	**247,463**	213,108
Amortisation of other intangible assets*	**234,269**	210,563
Depreciation of right-of-use assets	**8,494**	7,882
Staff costs	**358,485**	313,096

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

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

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

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7 FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on bank and other loans (including convertible bonds)	**355,300**	401,383
Amortised interest on discounted long-term payables	**—**	1,721
Interest on discounted notes receivable	**33,046**	4,867
Interest on discounted letters of credit	**9,434**	14,574
Interest on lease liabilities	**1,678**	1,457
	399,458	424,002

8 INCOME TAX

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for a subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

Pursuant to the rules and regulations of Singapore, Malaysia, Switzerland, Germany, United Kingdom and Australia, the Group is subject to 17%, 24%, 13%, 29.125%, 19% and 30% of their taxable income, respectively.

Pursuant to the rules and regulations of the United States, the Group is subject to Federal statutory tax at the rate of 21% (2020: 21%) of taxable income. No provision for income tax has been made as the Group did not generate any taxable income in the United States (2020: Nil) during the year.

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

Shandong Luye, Nanjing Luye, WPU, Sichuan Luye and Nanjing Kanghai Phospholipid are qualified as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% (2020: 15%) during the year.

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**105,066**	259,223
(Overprovision)/underpovision in prior years	**(897)**	4,272
Deferred tax	**(33,943)**	(24,586)
Total tax charge for the year	**70,226**	238,909

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

	2021	2020
	RMB'000	*RMB'000*
Profit before tax	**(74,557)**	942,174
At the PRC's statutory income tax rate of 25%	**(18,639)**	235,544
Effect of tax rate differences in other jurisdictions	**66,133**	21,472
Preferential income tax rates applicable to subsidiaries	**(45,328)**	(109,870)
Additional deductible allowance for research and development expenses	**(123,624)**	(92,642)
Adjustments in respect of current tax of previous years	**(897)**	4,272
Effect of non-deductible expenses	**92,787**	46,109
Deemed income subject to tax	**13,369**	—
Income not subject to tax	**(46,165)**	(3,878)
Tax losses utilised from previous years	**(4,074)**	(767)
Tax losses not recognised	**136,509**	137,835
Effect of withholding tax at 10% on the interest expense of the Group's PRC subsidiaries to be paid	**155**	834
Tax charge at the Group's effective rate	**70,226**	238,909

The effective tax rate of the Group for the year was –94.2% (2020: 25.4%).

9 DIVIDEND

No interim or final dividends were declared by the Company during the year ended 31 December 2021.

10 (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,445,431,364 (2020: 3,187,322,035) in issue during the year. The number of shares for the current period has been arrived at after eliminating the shares of the Company held under the share award scheme and shares issued.

The calculation of the diluted earnings per share amount for the year ended 31 December 2020 is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the share award scheme.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2020 in respect of a dilution from the impact of the convertible bonds outstanding, as it had an anti-dilutive effect on the basic earnings per share amount presented.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2021 in respect of a dilution as the impact of the convertible bonds outstanding and share award scheme had an anti-dilutive effect on the basic loss per share amount presented. The calculations of basic and diluted earnings per share are based on:

	2021	2020
	RMB'000	*RMB'000*
(Loss)/Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(134,392)**	706,586

	Number of shares	
	2021	2020
Shares		
Weighted average number of shares in issue during the year	**3,445,431,364**	3,187,322,035
Effect of dilution — weighted average number of ordinary shares under the share award scheme	**—**	6,625,296
	3,445,431,364	3,193,947,331

11 TRADE AND NOTES RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**1,518,185**	954,645
Notes receivable	**250,315**	602,614
	1,768,500	1,557,259
Less: Impairment of trade receivables	**(3,404)**	(4,170)
	1,765,096	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 has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

As at 31 December 2021, notes receivable of RMB250,315,000 (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 2021.

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**1,008,416**	887,792
3 to 6 months	**57,993**	47,101
6 to 12 months	**449,895**	17,067
1 to 2 years	**697**	1,267
Over 2 years	**1,184**	1,418
	1,518,185	954,645

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	*RMB'000*
Current		
Listed equity investments, at fair value	**2,148**	19,248
Unlisted equity investments, at fair value	**930,000**	—
Other unlisted investments, at fair value	**1,752,050**	1,412,659
	2,684,198	1,431,907
Non-current		
Unlisted equity investment, at fair value	**478,263**	1,263

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

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

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

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

13 TRADE AND NOTES PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**323,445**	326,172
Notes payable	**247,445**	159,090
	570,890	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:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**538,576**	456,647
3 to 6 months	**18,815**	17,952
6 to 12 months	**6,906**	6,516
1 to 2 years	**4,894**	2,042
Over 2 years	**1,699**	2,105
	570,890	485,262

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

The maturity of the notes payable is within twelve months.

As at 31 December 2021, the Group's notes payable were secured by certain of the Group's notes receivable and time deposits amounting to approximately RMB11,932,000 (2020: RMB15,000,000) and RMB235,513,000 (2020: RMB54,090,000), respectively.

14 INTEREST-BEARING LOANS AND BORROWINGS

31 December 2021

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loan — secured	LPR+0.14	2022	45,046
Bank loan — secured	LPR+0.25	2022	70,093
Bank loan — secured	LPR+0.15	2022	200,222
Bank loan — secured	LPR+0.20	2022	200,225
Bank loan — secured	LPR+0.20	2022	100,113
Bank loan — secured	4.65	2022	250,116
Bank loan — secured	4.65	2022	50,060
Bank loan — secured	LPR+0.55	2022	95,333
Bank loan — secured	4.35	2022	50,067
Bank loan — secured	3.95	2022	91,252
Bank loan — secured	3.95	2022	109,284
Bank loan — secured	3.95	2022	40,300
Bank loan — secured	LPR+0.25	2022	100,114
Bank loan — secured	4.20	2022	73,715
Bank loan — secured	4.20	2022	57,060
Bank loan — secured	4.25	2022	150,177
Bank loan — secured	4.25	2022	150,177
Bank loan — secured	3.80	2022	125,132
Bank loan — secured	3.80	2022	125,132
Bank loan — secured	4.60	2022	175,224
Bank loan — secured	4.60	2022	32,041
Bank loan — secured	4.80	2022	49,000
Bank loan — secured	4.10	2022	300,292
Bank loan — secured	4.35	2022	80,169
Bank loan — secured	4.00	2022	10,046
Bank loan — secured	4.00	2022	20,092
Bank loan — secured	4.00	2022	50,230
Bank loan — secured	4.00	2022	80,368
Bank loan — secured	4.30	2022	50,383
Bank loan — secured	4.30	2022	50,259

	Effective interest rate (%)	Maturity	*RMB'000*
Current (continued)			
Bank loan — secured US$15,012,042	1.70	2022	95,712
Bank loan — secured EUR18,219,050	1.30	2022	131,536
Bank loan — secured EUR10,004,521	1.35	2022	72,230
Bank loan — secured EUR8,761,358	1.35	2022	63,254
Bank loan — secured EUR30,037,394	3-month EURIBOR+0.60	2022	216,861
Bank loan — secured EUR11,514,335	3-month EURIBOR+0.60	2022	83,130
Bank loan — secured EUR13,542,263	1.30	2022	97,771
Current portion of long-term bank loans — secured			
Bank loan — secured	4.90	2022	15,118
Bank loan — secured	4.90	2022	10,079
Bank loan — secured	4.60	2022	1,026
Bank loan — secured	4.60	2022	17,537
Bank loan — secured	4.35	2022	2,091
Bank loan — secured	4.35	2022	2,091
Bank loan — secured	4.13	2022	90,686
Bank loan — secured	5-year LPR+0.05	2022	10,000
Bank loan — secured US$2,081,038	3-month LIBOR+2.85	2022	13,269
Bank loan — secured US$16,603,766	3-month LIBOR+2.85	2022	105,862
Bank loan — secured US$17,373,495	3-month LIBOR+2.85	2022	110,768
Bank loan — secured US$3,191,210	3-month LIBOR+2.85	2022	20,346
Bank loan — secured EUR14,092,522	3-month EURIBOR+1.70	2022	101,744

	Effective interest rate (%)	Maturity	*RMB'000*
Current (continued)			
Discounted notes receivable	4.00	2022	78,027
	4.00	2022	96,311
	0.80	2022	1,335
	2.60	2022	49,119
	2.65	2022	48,877
	3.90	2022	87,407
	3.90	2022	97,064
	2.35	2022	1,945
	1.50	2022	2,393
	1.50	2022	1,362
	1.25	2022	1,047
	4.80	2022	48,546
	2.48	2022	29,847
	2.40	2022	78,491
	2.40	2022	19,623
	4.05	2022	48,543
	4.05	2022	48,515
Discounted letters of credit	4.15	2022	49,852
	3.90	2022	199,572
	3.65	2022	9,762
Lease liabilities	3.98	2022	22,745
			5,263,216
Non-current			
Bank loan — secured	4.90	2025	110,000
Bank loan — secured	4.60	2026	342,583
Bank loan — secured	4.35	2023	144,000
Bank loan — secured	5-year LPR+0.05	2026	240,000
Bank loan — secured US$12,012,000	3-month LIBOR+2.85	2025	76,585
Bank loan — secured US$93,840,000	3-month LIBOR+2.85	2025	598,296
Bank loan — secured US$98,058,742	3-month LIBOR+2.85	2025	625,193
Bank loan — secured US$17,410,023	3-month LIBOR+2.85	2025	111,001
Bank loan — secured EUR12,474,157	3-month Euribor+1.70	2023	90,060
Lease liabilities	3.98	2029	19,205
Total interest-bearing loans and borrowings			7,620,139
Convertible bonds	7.29	2022–2024	1,870,654
			9,490,793

31 December 2020

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loan — secured	LPR+0.08	2021	50,064
Bank loan — secured	LPR+0.94	2021	70,093
Bank loan — secured	LPR+0.08	2021	200,230
Bank loan — secured	LPR	2021	100,124
Bank loan — secured	LPR	2021	200,248
Bank loan — secured	LPR+0.15	2021	95,116
Bank loan — secured	4.57	2021	110,140
Bank loan — secured	3.95	2021	52,105
Bank loan — secured	3.95	2021	22,254
Bank loan — secured	3.95	2021	17,154
Bank loan — secured	3.95	2021	43,773
Bank loan — secured	3.95	2021	80,693
Bank loan — secured	3.95	2021	27,622
Bank loan — secured	4.25	2021	56,312
Bank loan — secured	4.00	2021	101,822
Bank loan — secured	4.00	2021	71,167
Bank loan — secured	4.00	2021	20,333
Bank loan — secured	4.00	2021	30,500
Bank loan — secured	4.00	2021	81,511
Bank loan — secured	4.00	2021	71,299
Bank loan — secured	4.05	2021	194,218
Bank loan — secured	4.35	2021	150,181
Bank loan — secured	4.60	2021	57,146
Bank loan — secured	3.70	2021	125,128
Bank loan — secured	3.70	2021	125,128
Bank loan — secured	4.10	2021	175,199
Bank loan — secured	4.50	2021	50,063
Bank loan — secured	4.00	2021	81,449
Bank loan — secured	4.13	2021	300,238
Bank loan — secured	4.35	2021	80,113
Bank loan — secured HK$194,423,387	1.08	2021	163,635
Bank loan — secured US$7,006,085	2.85	2021	45,714
Bank loan — secured US$8,005,707	2.35	2021	52,236
Bank loan — secured US$30,022,255	1-month LIBOR+1.10	2021	195,892
Bank loan — secured US$40,379,432	1.70	2021	263,472
Bank loan — secured US$15,134,234	1.70	2021	98,749
Bank loan — secured US$22,404,985	1-month LIBOR+0.80	2021	146,190

	Effective interest rate (%)	Maturity	*RMB'000*
Current (continued)			
Bank loan — secured EUR10,081,130	1.20	2021	80,901
Bank loan — secured EUR10,004,815	1.45	2021	80,289
Bank loan — secured EUR11,005,306	1.45	2021	88,318
Bank loan — secured EUR25,051,198	1.42	2021	201,036
Bank loan — secured EUR12,617,110	3-month LIBOR+0.85	2021	101,252
Bank loan — secured EUR20,000,000	1.02	2021	165,763
Current portion of long-term bank loans — secured			
Bank loan — secured	4.90	2021	3,204
Bank loan — secured	4.90	2021	10,000
Bank loan — secured	4.90	2021	340
Bank loan — secured	4.13	2021	10,125
Bank loan — secured US$1,224,488	3-month LIBOR+2.85	2021	7,990
Bank loan — secured US$12,457,158	3-month LIBOR+2.85	2021	81,282
Bank loan — secured US$13,103,880	3-month LIBOR+2.85	2021	85,502
Bank loan — secured US$2,408,816	3-month LIBOR+2.85	2021	15,717
Bank loan — secured EUR81,492	3-month EURIBOR+1.70	2021	654
Discounted notes receivable	2.85	2021	98,108
	3.40	2021	39,772
	3.55	2021	29,652
	3.15	2021	922
	2.80	2021	29,859
	2.89	2021	49,500
	2.79	2021	964
	4.20	2021	48,454
	4.20	2021	48,484
	3.19	2021	38,892
	3.90	2021	146,588
Discounted letters of credit	2.57	2021	19,863
	3.85	2021	199,284
	3.73	2021	99,816
	3.38	2021	40,000
Lease liabilities	3.93	2021	13,013
			5,642,855

	Effective interest rate (%)	Maturity	*RMB'000*
Non-current			
Bank loan — secured	4.90	2025	135,000
Bank loan — secured	4.90	2026	250,000
Bank loan — secured	4.13	2022	90,000
Bank loan — secured US$14,580,000	3-month LIBOR+2.85	2025	95,133
Bank loan — secured US$111,780,000	3-month LIBOR+2.85	2025	729,353
Bank loan — secured US$116,426,160	3-month LIBOR+2.85	2025	759,669
Bank loan — secured US$20,482,380	3-month LIBOR+2.85	2025	133,646
Bank loan — secured EUR40,272,226	3-month EURIBOR+1.70	2023	323,185
Lease liabilities	3.93	2028	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

	2021	2020
	RMB'000	*RMB'000*
Analysed into:		
Bank loans and other borrowings repayable:		
Within one year or on demand	**5,263,216**	5,642,855
In the second year	**674,947**	455,701
In the third to fifth years, inclusive	**3,551,951**	3,792,268
After five years	**679**	90,676
	9,490,793	9,981,500

Notes:

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

(i) the pledge of certain of the Group's time deposits of RMB727,784,000 (2020: RMB1,099,995,000);

(ii) the pledge of certain of the Group's intra-group notes receivable of RMB50,000,000 (2020: RMB10,000,000);

(iii) the pledge of certain of the Group's property, plant and equipment, which had a net carrying value at the end of the reporting period of approximately RMB557,809,000 (2020: RMB186,649,000);

(iv) the pledge of certain of the Group's right-of-use assets, which had a net carrying value at the end of the reporting period of approximately RMB5,386,000 (2020: nil); and

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

15 RELATED PARTY TRANSACTIONS

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

Company	**Relationship**
Steward Cross Pte. Ltd. ("Steward Cross")	Associate
Yantai Painuo Biotech Co., Ltd. ("Yantai Painuo")	An entity controlled by the controlling shareholder
Luye Boston Research & Development LLC ("Luye Boston")	An entity controlled by the controlling shareholder
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
Yantai Yunyue Winery Management Co., Ltd. ("Yunyue Winery")	An entity controlled by the controlling shareholder
Luye Life Sciences Group Japan Co., Ltd. ("Luye Japan")	An entity controlled by the controlling shareholder

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

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Sales of goods to a related party:			
Steward Cross	*(i)*	**6,110**	5,953
Success fee to a related party:			
Luye Japan	*(ii)*	**—**	2,070
Interest income from a related party:			
LIG	*(iii)*	**—**	1,235
Receipts of repayments from a related party:			
LIG	*(iii)*	**—**	112,185
Accommodation services from a related party:			
Yunyue Winery	*(iv)*	**370**	—
Provision of manufacturing service to a related party:			
Yantai Painuo	*(iv)*	**5,511**	—
Lease and property management services to a related party:			
Yantai Painuo	*(iv)*	**1,592**	—
Sales of materials to a related party:			
Yantai Painuo	*(iv)*	**294**	—
Payment on behalf by:			
Biotech Park Development	*(v)*	**1,908**	—
Luye Boston	*(v)*	**2,431**	—
Repayment to:			
Biotech Park Development	*(v)*	**2,358**	—
Luye Boston	*(v)*	**2,400**	—

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 service fee was charged with reference to prices mutually agreed between the parties for the services rendered for a business introduction in Japan, including market research, regulatory consultation, financial advices and conducting regular meetings for development projects.

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

(iv) The transaction fees were determined on normal commercial terms, negotiated on arm's length basis, on similar basis as the Group conducted businesses with other independent third parties.

(v) The payments and advances were unsecured, interest free and repayable on demand.

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

As at 31 December 2020, LIG, Biotech Park Development and the Company entered into a debt waiver agreement, pursuant to which LIG transfer its debt to Biotech Park Development, and Biotech Park Development waived the remaining right of credit amounting to approximately RMB1,645,000 to the Company, and the amount credited to the Company's other reserves.

(c) Outstanding balances with related parties:

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Other receivables			
Yantai Painuo	*(i)*	**5,522**	—
Other payables			
Biotech Park Development	*(ii)*	**222**	2,196
Luye Boston	*(ii)*	**31**	—
		253	2,196
Lease liabilities			
Biotech Park Development		**5,620**	—
Luye Boston		**3,536**	—
		9,156	—

Notes:

(i) The balance was trade in nature.

(ii) The balances were non-trade in nature.

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

	2021 ***RMB'000***	2020 *RMB'000*
Short-term employee benefits	**32,546**	27,535
Pension scheme contributions	**875**	649
Equity-settled share award expense	**15,281**	7,387
Total compensation paid to key management personnel	**48,702**	35,571

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 regions, namely oncology, central nervous system ("CNS"), cardiovascular system, alimentary tract and metabolism. The Group has a portfolio of over 30 products, covering over 80 countries and regions around the world, including large pharmaceutical markets — China, the U.S., Europe and Japan, as well as fast growing emerging markets. During the year ended 31 December 2021, the Group's business was influenced by the pandemic of coronavirus disease 2019 ("COVID-19") and global economic fluctuations but still maintained stability. The Group recorded a decrease in revenue of 6.1% in the year 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 30 pipeline product candidates in the PRC and 12 pipeline product candidates in the U.S., Europe and Japan.

Market Positioning

In China, the Group's key products are competitively positioned in four key therapeutic areas and have gained top-ranking market shares measured by revenue. According to IQVIA, oncology-related pharmaceutical products constituted the largest market in China for pharmaceutical products in the year of 2021. The Group's portfolio of oncology products includes Lipusu, CMNa and Boyounuo. Lipusu is the first and only paclitaxel liposome product approved for sale globally as of 31 December 2021. CMNa is 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. Boyounuo is an anti-VEGF humanized monoclonal antibody injection and a biosimilar to Avastin independently developed by Shandong Boan Biotechnology Co., Ltd. ("Boan Biotech"). IQVIA data showed that cardiovascular system-related pharmaceutical products constituted the fourth largest market for pharmaceutical products in the PRC in the year 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 year 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 year of 2021. According to IQVIA, the Group was the second largest domestic pharmaceutical manufacturer of oral diabetic medications in China in the year of 2021. IQVIA data showed that central nervous system-related pharmaceutical products constituted the fifth largest market for pharmaceutical products in the PRC in the year of 2021. The Group's portfolio of CNS products includes Seroquel and Rykindo. The Group's key product Seroquel was the sixth largest product in schizophrenia therapeutic area and the largest quetiapine product in terms of sales in the PRC in the year of 2021. Rykindo was the only Risperidone Microspheres for Injection for sale in China as of 31 December 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 ("Rivastigmine MD" or "LY30410"), Fentanyl patches and Buprenorphine patches.

For the year ended 31 December 2021, the Group's revenue from cardiovascular system products increased by 42.1% to RMB1,427.3 million. Revenue from alimentary tract and metabolism products increased by 22.5% to RMB898.5 million. Revenue from CNS products decreased by 5.5% to RMB1,323.8 million. Revenue from sales of oncology products decreased by 36.7% to RMB1,414.1 million.

Key Products

The Company believes that the Group's nine key products are competitively positioned for high prevalence medical conditions that are expected to grow or maintain 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 31 December 2021, Lipusu was 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 year of 2021. An study conducted by an independent third party 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.

Boyounuo*® *(博优诺®)

Boyounuo was approved to the market by the NMPA in April 2021. It 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 good safety have been widely recognized. According to the data from IQVIA, the sales of Bevacizumab injection in China reached RMB6.22 billion in the year of 2021.

***Xuezhikang*® (血脂康®)**

Xuezhikang is the Group's proprietary natural medicine derived from red yeast rice indicated for hypercholesterolaemia. According to the NMPA, the Group was the only Xuezhikang manufacturer in China as of 31 December 2021. According to IQVIA, the market for lipid-regulating drugs in China was estimated to be approximately RMB4.6 billion in the year of 2021. According to IQVIA, Xuezhikang ranked as the most popular natural medicine for the treatment of hypercholesterolaemia and the fourth most-used lipid-regulating drug in China in the year 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 RMB3.6 billion in the year of 2021. Maitongna was the best-selling domestically manufactured sodium aescinate product in China in the year of 2021 and ranked as the third most-used vasoprotective pharmaceutical product domestically manufactured in China in the year 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 year of 2021. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB1.3 billion in the year of 2021 and Bei Xi ranked as the second most popular oral diabetic medication domestically manufactured in China in the year of 2021.

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 sixth most-used product in schizophrenia therapeutic area and the most-used quetiapine product in the PRC in the year of 2021. In addition to China, Seroquel and Seroquel XR are also marketed by the Group in other 50 developed and emerging countries.

Rykindo*® *(瑞欣妥®)

Rykindo was approved to the market by the NMPA in January 2021. 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 and is the only Risperidone Microspheres for Injection for sale in China as of 31 December 2021. 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. Patients using Rykindo are also expected to have stable clinically effective plasma drug level and can benefit from more convenient clinical treatment. In December 2021, Rykindo has been included in the 2021 NRDL in China.

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 31 December 2021, the Group's R&D team consisted of 824 employees, including 73 Ph.D. degree holders and 438 master's degree holders in medical, pharmaceutical and other related areas. As at 31 December 2021, the Group had been granted 239 patents and had 90 pending patent applications in the PRC, as well as 612 patents and 126 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 31 December 2021, the Group had 30 PRC pipeline product candidates in various stages of development. These candidates included 12 oncology products, 12 CNS products and 6 other products. Also, the Group had 12 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

Since January 2021, the Group had 3 new drugs approved to the market including Rykindo (approved in China), Boyounuo (approved in China) and Rivastigmine MD (approved in several European countries). The Group also had 5 new drugs entering New Drug Application ("NDA") stage in China including LY03005, BA6101, LY01005, LY021702 and LY01017 (Hong Kong).

For global R&D progress:

In January 2021, the Group's monthly microspheres injection LY03009 commenced phase I clinical trial in Australia. LY03009 is one of the Group's key 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 2022, LY03009 has been approved to initiate clinical trial in the U.S..

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

In May 2021, the Decentralised Registration Procedures ("DCPs") in the European Union ("EU") in relation to the Marketing Authorization Applications ("MAA") for Rivastigmine MD have been 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 September 2021, the Rivastigmine MD received marketing authorization in the United Kingdom ("UK").

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 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 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 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 CDE. In March 2022, LY03005 has been approved by the CDE to initiate phase III clinical trial for the treatment of generalized anxiety disorder.

In September 2021, the innovative formulation Goserelin Acetate Extended-release Microspheres for Injection ("LY01005") completed phase III clinical trial for the treatment of prostate cancer in China. LY01005 is the Group's monthly extended release microspheres for intramuscular formulation of goserelin acetate, a gonadotropin-releasing hormone agonist, using the Group's microspheres technology platform. As a first-line drug for the treatment of prostate cancer, the only dosage form of goserelin currently on the market is a subcutaneous implant. LY01005, through innovative microsphere technology, can effectively reduce the adverse reactions at the injection site, improve the patient's medication experience, reduce the difficulty of nursing, and improve the patient's tolerance and compliance, which is more beneficial for the therapeutic effect of the drug and has obvious clinical advantages. In December 2021, the marketing authorization application for LY01005 has been accepted by CDE for the treatment of prostate cancer in China. Concurrently with this application, the Group is also undertaking phase III clinical trials for LY01005 for treatment of breast cancer in China.

In September 2021, LY03015 has obtained the approval from CDE to initiate clinical trial in China.

In October 2021, LY03009 has obtained the approval from CDE to initiate clinical trial in China.

In January 2022, the marketing authorization application for the Group's analgesic product under development, oxycodone and naloxone extended-release tablets ("LY021702"), has been accepted by CDE in China. LY021702 is the first oxycodone and naloxone extended release tablet product that has high technical barriers developed by a Chinese company. It consists of oxycodone hydrochloride, a strong opioid receptor agonist, and naloxone hydrochloride, an opioid antagonist, for the treatment of

moderate to severe chronic pain that cannot be effectively controlled by non-opioids, with pain relief lasting up to 12 hours. It has a deterrent feature regarding opioid abuse and can relieve gastrointestinal adverse effects such as opioid-induced constipation.

In March 2022, the Group has submitted a NDA for Lurbinectedin (LY01017) for injection, a product of the Group licensed in from Pharma Mar, S.A. ("PharmaMar") in Hong Kong, China, for the treatment of adult patients with metastatic small cell lung cancer ("SCLC") with disease progression on or after receiving platinum-based chemotherapy. To date, Lurbinectedin has received the accelerated approval in the U.S., and provisional marketing approval in Australia, the United Arab Emirates, Canada, and Singapore.

For Boan Biotech:

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 indicated that LY-CovMab has a good safety and tolerability profile. According to the results of in vitro virus neutralization activity and human serum drug concentration at different blood collection time points in phase I clinical trials, preliminary results showed that LY-CobMab is able to inhibit infections of Alpha, Delta, Gamma and Lambda strains. In August 2021, LY-CovMab has been approved by the CDE to initiate phase II clinical trial in China.

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/BA6101") in China has been completed. In October 2021, the marketing authorization application for BA6101 has been accepted by CDE in China. In the meanwhile, the Denosumab Injections (Prolia® biosimilar, BA6101/Xgeva® biosimilar, BA1102) 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 ("BA1104") of Boan Biotech has been formally accepted by the CDE in China. BA1104 is the first applied biosimilar to OPDIVO® according to Registration Classification 3.3 of Biological Product. In May 2021, BA1104 has obtained the approval from the NMPA to initiate clinical trials.

In May 2021, the marketing registration in relation to the Bevacizumab injection (Boyounuo) product of Boan Biotech has been approved by 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, Boyounuo has been approved by the NMPA for the treatment of recurrent glioblastoma. In February 2022, Boyounuo has been approved by the NMPA for the treatment of epithelial ovarian, fallopian tube or primary peritoneal cancer, and cervical cancer.

In September 2021, the Dulaglutide injection ("BA5101") of Boan Biotech has obtained the approval from CDE to initiate clinical trial in China. As the biosimilar to Trulicity®, BA5101 injection is indicated for glycemic control in adults with type 2 diabetes mellitus.

In October 2021, BA1105, an innovative antibody discovered and developed by Boan Biotech, has obtained the approval from CDE to initiate clinical trial in China. BA1105 is a recombinant anti-Claudin 18.2 fully human IgG1 monoclonal antibody, which introduces amino acid site-directed mutations through the Fc region to enhance the ADCC effect. Enhanced ADCC effect can improve the tumor-killing efficacy of BA1105, so this product has potential to become the best targeted drug for the similar treatment of metastatic pancreatic cancer, advanced gastric cancer and adenocarcinoma of the esophagogastric junction and other potentially beneficial cancers.

In December 2021, BA1201, an innovative antibody discovered and developed by Boan Biotech, has obtained the approval from CDE to initiate clinical trial in China. BA1201 is an anti-PD-L1/TGF-β bispecific antibody fusion protein for the treatment of advanced solid tumors and other indications. BA1201 can not only inhibit PD-L1/PD-1 signaling pathway but also inhibit TGF-β/TGF-β RII signaling pathway, which can eliminate immunosuppression and restore the immune system to target tumor cells for killing, making it more potent than anti-PD-L1 monoclonal antibodies.

During the year ended 31 December 2021, Boan Biotech received a total of RMB1,087.5 million from a number of reputable Chinese and international investors, demonstrating their belief in the company's research and innovation strength and their confidence in its future potential. Such investments will help Boan Biotech accelerate the clinical development of its innovative antibody and biosimilar products, enhancing competitive strengths and facilitating rapid, stable growth. After completion of the third parties' investments, the Group held approximately 72.3% equity interest in Boan Biotech. The capital raised has been allocated or utilised to finance Boan Biotech's principal business, including but not limited to its R&D activities and to fund its daily operations.

Sales, Marketing and Distribution

For global market:

The business of the Group covers 80 countries or regions including the U.S., countries in the 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 has agreed to grant Zuellig Pharma exclusive rights to distribute Seroquel (quetiapine fumarate, immediate release) and Seroquel XR (extended release formulation) in Malaysia and Brunei.

In September 2021, the Group has granted ESTEVE Pharmaceuticals S.A. ("ESTEVE") the exclusive rights to commercialize Rivastigemine MD in Spain.

In November 2021, the Group has granted Zambon Switzerland ("Zambon") the exclusive rights to commercialize Rivastigmine MD in Switzerland.

For China market:

The Group has established an extensive nationwide sales and distribution network and sold its products to 30 provinces, autonomous regions and municipalities throughout the PRC in the year of 2021. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,780 distributors that collectively enabled the Group to sell its products to over 19,330 hospitals, which comprised approximately 2,230 or approximately 87.0% of all Class III hospitals, approximately 5,600 or approximately 66.0% of all Class II hospitals and approximately 11,500 or approximately 57.0% of all Class I and other hospitals and medical institutions, in the PRC in the year of 2021. The Group believes that its sales and marketing model and extensive coverage of hospitals and 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 several provinces, cities and autonomous regions in the mainland of 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.

In December 2021, Rykindo has been included in the latest edition of the NRDL. This drug, an intramuscular injection administered once every two weeks, is used to treat clear positive or negative symptoms of acute and chronic schizophrenia as well as various other psychotic disorders. It can alleviate the affective symptoms associated with schizophrenia.

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.

As mentioned above, the Group has granted Italfarmaco 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. The Group has granted Esteve the exclusive rights to commercialize the Rivastigmin MD in Spain in September 2021. The Group has also granted Zambon the exclusive rights to commercialize the Rivastigmin MD in Switzerland in November 2021. Boan Biotech has granted AstraZeneca the exclusive promotion rights of Boyounuo in the county markets of several provinces, cities and autonomous regions in the mainland of China in May 2021.

In December 2021, the Group has granted Changchun GeneScience Pharmaceutical Co., Ltd. exclusive commercialization rights of Rivastigmine Transdermal Patches on China's Mainland. The Group will receive an upfront payment of RMB70 million, and the total payment of this agreement is up to RMB216 million.

In February 2022, the Group has entered into an agreement with Chengdu Biostar Pharmaceutical Co., Ltd., a wholly-owned subsidiary of Beijing Biostar Pharmaceutical Co., Ltd. ("Biostar") in relation to their collaboration in the promotion of natural microbial small molecule anti-tumor drug and national class 1 new drug 优替帝® (generic name: Utidelone injection) in 26 provinces in mainland China. Utidelone injection, the first epothilone antitumor innovative drug in China independently developed by Biostar, was approved by the NMPA in 2021 for the treatment of recurrent or metastatic advanced breast cancer, and has been included in the "Chinese Society of Clinical Oncology (中國臨床腫瘤學會) ("CSCO") Guidelines for the Diagnosis and Treatment of Breast Cancer (2021 Edition)" and "Guidelines for Clinical Diagnosis and Treatment of Advanced Breast Cancer in China (2020 Edition)". In addition, clinical studies related to multiple new indications of Utidelone injection are also in progress, involving the treatment of various advanced solid tumors such as non-small cell lung cancer, digestive tract tumors, gynecological tumors, and head and neck tumors.

Manufacturing

For the year ended 31 December 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 NMPA. The manufacturing site for transdermal patches in Miesbach, Germany, maintained full capacity and met all customer demands in 2021 despite the COVID-19 related constraints on supply chain & logistics in many countries around where customers or suppliers reside. Customer audits during 2021 were performed with very few exceptions remotely and underlined the compliance with GMP standards. Several new customers were on-boarded during the reporting period and their products were launched in accordance with the timelines required by the customers.

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 June 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 is expected to 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%. Lipusu has been included in the 2020 NRDL with a price cut of 67%. Even if the sales volume will significantly increase, there would still be an uncertainty in relation to its sales value growth. In 2021, exclusive products successfully included in the NRDL by the negotiation had an average price cut of 61.7%.

Outlook

Although the Group's business was influenced by the Chinese medical insurance policy, market factors as well as the pandemic of COVID-19, it still recorded a decrease in revenue of 6.1% according to the IQVIA.

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 has also made significant efforts on the academic studies of the marketed products. The Group's major product Lipusu has been recommended under the CSCO 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 of China. 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 December 2021, Rykindo has been included in the latest edition of the NRDL, which will bring new hope to about 10 million schizophrenia patients in China.

In May 2021, the marketing registration in relation to the Bevacizumab injection ("LY01008", Boyounuo) product of Boan Biotech has been approved by 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 NMPA for the treatment of recurrent glioblastoma. In February 2022, Boyounuo has been approved by NMPA for the treatment of epithelial ovarian, fallopian tube or primary peritoneal cancer, and cervical cancer. Boyounuo is an anti-VEGF humanized monoclonal antibody injection and a biosimilar to Avastin independently developed by Boan Biotech. The significant efficacy and safety of Bevacizumab injection have been widely recognized in the world. According to the data from IQVIA, global sales of Bevacizumab injection were USD6.09 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 EU. In September 2021, the Rivastigmine MD received marketing authorization in the UK.

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 central nervous system 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 has been issued, a portfolio of international patents protecting Rivastigmine MD.

In addition to Rykindo, Boyounuo and Rivastigmine MD, for the past year, the Group has made remarkable progresses in R&D fields. In China, the marketing authorization application of LY03005, BA6101, LY01005 and LY021702 has been accepted by CDE; marketing authorization application of LY01017 has submitted in Hong Kong, China; LY09004 entered into phase III clinical trial; LY-CovMab entered into phase II clinical trial; LY03014, LY09606, BA1104, BA5101, BA1105, LY03009 and BA1201 entered into phase I clinical trial. Internationally, LY03003 completed phase I clinical trial in Japan; LY03009 commenced phase I clinical trial in Australia; LY03009 has been approved to initiate clinical trial in the U.S.; 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. In addition, Utidelone injection will synergize with the Group's existing resources and advantages in the field of oncology to benefit more patients, and is also expected to enhance the Group's product portfolio in complement with its anti-tumor products, accelerating the Group's layout and development in this field. 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, Rykindo approved to be marketed and included in the latest NRDL 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 and UK market, it will contribute to the growth of the Group's global sales.

Boan Biotech has also established a sales and marketing team to commercialize Boyounuo in the principal markets of China. In the meanwhile, Boan Biotech granted AstraZeneca the exclusive promotion rights of Boyounuo in the county markets of several 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. Additionally, Boan Biotech has developed more than 10 innovative antibody products with international intellectual property protection and 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 place additional 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 and actively seek for cooperation opportunities with third parties to ensure the business maintains high-quality and healthy growth.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group's revenue amounted to approximately RMB5,200.2 million, as compared to RMB5,539.6 million for the year ended 31 December 2020, representing a decrease of approximately RMB339.4 million, or 6.1%. The decrease was mainly attributable to a decrease of sales from certain products as further elaborated below.

For the year ended 31 December 2021, the Group's revenue from sales of oncology products decreased to RMB1,414.1 million, as compared to RMB2,235.2 million for the year ended 31 December 2020, representing a decrease of approximately RMB821.1 million, or 36.7%, primarily attributable to the decrease in average selling price of various key oncology products of the Group.

For the year ended 31 December 2021, revenue from sales of cardiovascular system products increased to RMB1,427.3 million, as compared to RMB1,004.5 million for the year ended 31 December 2020, representing an increase of approximately RMB422.8 million, or 42.1%, primarily attributable to the increase in sales volume of various cardiovascular system products of the Group.

For the year ended 31 December 2021, revenue from sales of alimentary tract and metabolism products increased to RMB898.5 million, as compared to RMB733.4 million for the year ended 31 December 2020, representing an increase of approximately RMB165.1 million, or 22.5%, primarily attributable to the increase in sales volume of various other alimentary tract and metabolism products of the Group.

For the year ended 31 December 2021, revenue from CNS products decreased to RMB1,323.8 million, as compared to RMB1,401.5 million for the year ended 31 December 2020, representing a decrease of approximately RMB77.7 million or 5.5%.

For the year ended 31 December 2021, revenue from sales of other products decreased to RMB136.6 million, as compared to RMB165.1 million for the year ended 31 December 2020, representing a decrease of approximately RMB28.5 million, or 17.3%, primarily attributable to the decrease in sales volume of various other products of the Group.

Cost of Sales

The Group's cost of sales increased from RMB1,549.0 million for the year ended 31 December 2020 to approximately RMB1,803.5 million for the year ended 31 December 2021, which accounted for approximately 34.7% of the Group's total revenue for the same year. The Group's increase in cost of sales margin was mainly attributable to the decrease in average selling price of few of the Group's key products for the year ended 31 December 2021, as compared to year 2020.

Gross Profit

For the year ended 31 December 2021, the Group's gross profit decreased to RMB3,396.7 million, as compared to RMB3,990.6 million for the year ended 31 December 2020, representing a decrease of approximately RMB593.9 million, or 14.9%. The gross profit margin of 65.3%, decreased from 72.0% for the year ended 31 December 2020, mainly due to decrease in average selling price of few key products of the Group for the year ended 31 December 2021, as compared to year 2020.

Other Income and Gains

The Group's other income and gains mainly comprised of government grants, interest income and investment income. For the year ended 31 December 2021, the Group's other income and gains decreased to RMB330.7 million, as compared to RMB403.3 million for the year ended 31 December 2020, representing a decrease of approximately RMB72.6 million, or 18.0%. The decrease was mainly attributable to lower government grant recognised during the year.

Selling and Distribution Expenses

The Group's selling and distribution expenses consisted of expenses that were directly related to the Group's marketing, promotion and distribution activities. For the year ended 31 December 2021, the Group's selling and distribution expenses amounted to RMB1,704.8 million, as compared to RMB1,663.9 million for the year ended 31 December 2020, representing an increase of RMB40.9 million, or 2.5%. The increase was mainly attributable to staff cost and conference expenses. On the other hand, as a percentage of revenue, the Group's selling and distribution expenses increased to 32.8% as compared to 30.0% for the year ended 31 December 2020.

Administrative Expenses

The Group's administrative expenses primarily consisted of staff cost, general operating expense, conference and entertainment expense, travel and transportation expense, depreciation, amortisation and impairment loss, auditor's remuneration, consulting expenses, bank charges, taxation and other administrative expenses. For the year ended 31 December 2021, the Group's administrative expenses

amounted to approximately RMB570.8 million, as compared to RMB521.5 million for the year ended 31 December 2020, representing an increase of approximately RMB49.3 million, or 9.5%. The slight increase was mainly due to slightly higher staff cost during the year.

Other Expenses

The Group's other expenses primarily consisted of R&D costs, foreign exchange losses, donations, loss on disposals of property, plant and equipment and miscellaneous expenses. For the year ended 31 December 2021, the Group's other expenses amounted to approximately RMB1,127.6 million, as compared to RMB844.1 million for the year ended 31 December 2020, representing an increase of approximately RMB283.5 million, or 33.6%. The increase was mainly due to one-off provision for legal claim and offset by slightly lower R&D costs during the year. As disclosed in the announcement of the Company dated 22 October 2021, the Group received an arbitration award in favour of the former distributor of Seroquel for its claim against a subsidiary of the Company. In December 2021, the final amount of the arbitration award was determined to be approximately RMB253.2 million, and considering related interests and arbitration fees, the total provision was approximately RMB273.5 million and the Company accordingly made the aforesaid provision in respect of such amount in its financial statements. The subsidiary has applied to the High Court of Hong Kong for the revocation of such award and as at the date of this announcement, the application has not been heard.

Finance Costs

For the year ended 31 December 2021, the Group's finance costs amounted to RMB399.5 million, as compared to RMB424.0 million for the year ended 31 December 2020, representing a decrease of approximately RMB24.5 million, or 5.8%. The decrease was mainly due to the lower level of the Group's outstanding bank borrowings for the year ended 31 December 2021 as compared to the corresponding year ended 31 December 2020.

Income Tax Expense

For the year ended 31 December 2021, the Group's income tax expense amounted to RMB70.2 million, as compared to RMB238.9 million for the year ended 31 December 2020, representing a decrease of RMB168.7 million, or 70.6%. The effective tax rate for the year ended 31 December 2021 is –94.2% as compared to 25.4% for the year ended 31 December 2020.

Net Profit

The Group's net profit for the year ended 31 December 2021 was approximately RMB–144.8 million, as compared to RMB703.3 million for the year ended 31 December 2020, representing a decrease of approximately RMB848.1 million, or 120.6%.

The Group's normalised EBITDA (defined as the EBITDA for the year excluding the equity-settled share award expense, fair value change on contingent consideration payable, fair value adjustment of redemption liabilities on non-controlling interests and provision for legal claim) decreased by RMB596.4 million or 30.6% to RMB1,355.3 million as compared to the year ended 31 December

2020. The Group's normalised net profit decreased by RMB475.8 million or 52.2% to RMB435.0 million as compared to the year ended 31 December 2020. Normalised profit attributable to shareholders decreased by RMB473.8 million or 51.9% to RMB439.0 million as compared to the year ended 31 December 2020. Normalised net profit and profit attributable to shareholders is defined as the net profit and profit attributable to shareholders for the year excluding the equity-settled share award expense, fair value changes on contingent consideration payable, fair value adjustment of redemption liabilities on non-controlling interests, convertible bond interest expense and provision for legal claim.

To supplement our financial information presented in accordance with International Financial Reporting Standards ("IFRS"), we also use the aforementioned normalised items as an additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitates comparisons of operating performance from period to period and company to company by adjusting for potential impacts of non-recurring and certain non-cash items and our management considers these non-IFRS measures to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. These normalised items do not have standardised meanings prescribed by IFRS and may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measure has limitations as an analytical tool, and the shareholders of the Company should not consider it in isolation from, or as substitute for analysis of, or our results of operations as reported under IFRS.

Liquidity, Financial and Capital Resources

As at 31 December 2021, the Group had net current assets of approximately RMB3,066.5 million, as compared to approximately RMB2,736.3 million as at 31 December 2020. The current ratio of the Group increased slightly to approximately 1.42 as at 31 December 2021 from approximately 1.38 as at 31 December 2020. The increase in net current assets was mainly attributable to higher receivables and slightly lower level of loans and borrowings under the Group's current liabilities.

Borrowings and Pledge of Assets

As at 31 December 2021, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB7,620.1 million, as compared to approximately RMB8,170.6 million as at 31 December 2020. Amongst the loans and borrowings, approximately RMB5,263.2 million are repayable within one year, and approximately RMB2,356.9 million are repayable after one year. RMB4,363.9 million of the loans and borrowings of the Group carried interest at fixed interest rate. As at 31 December 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 31 December 2021, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to 83.6% 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.

Foreign Exchange and Exchange Rate Risk

The Group primarily operates in the PRC and is exposed to foreign currency risk arising from fluctuations in exchange rate between RMB and other currencies in which the Group conducts its business. The Group is subject to foreign currency risk attributable to the bank balances, trade and other receivables and payables as well as bank loans that are denominated in currencies other than RMB. The Group seeks to limit the exposure to foreign currency risk by minimising its net foreign currency position. The Group did not enter into any hedging transactions in respect of foreign currency risk as at 31 December 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.

Convertible Bonds

On 9 July 2019, the Company issued 1.50% convertible bonds with an aggregate principal amount of US$300,000,000. There was no movement in the number of these convertible bonds during the year. The bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK$8.15 per share at any time on or after 19 August 2019 and up to the close of business on the date falling ten days prior to 9 July 2024. The bonds are redeemable at the option of the bondholders at a 3.75% gross yield upon early redemption. Any convertible bonds not converted will be redeemed on 9 July 2024 at 112.25% of its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 1.50% per annum, which is payable 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. As of 31 December 2021, all of the net proceeds of the bonds were allocated or applied to repay loans of the Group and other general corporate purposes.

Use of Proceeds of Issue of New Shares

On 29 January 2021, the Company and Hillhouse NEV Holdings Limited ("Hillhouse NEV", a company formed under the laws of British Virgin Islands to which Hillhouse Capital Management, Ltd., a global firm of investment professionals and operating executives focused on building and investing in high quality business franchises that achieve sustainable growth, is the sole investment manager) entered into a subscription agreement, pursuant to which Hillhouse NEV subscribed for 292,406,881 new ordinary 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 for such new shares was HK$4.28 per share which represents a premium of approximately 10.03% over the closing price of HK$3.89 per share as quoted on The Stock Exchange of Hong Kong

Limited (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 and 8 February 2021.

The net proceeds from the issue of new shares are approximately RMB1,044,477,000 (equivalent to approximately US$161,411,163, representing a net price of approximately RMB3.57 per share). As of 31 December 2021, the entire amount of the net proceeds from such issuance has been allocated or applied to refinance the Group's indebtedness.

The subscription and issue represented an opportunity to raise capital for the Company while having Hillhouse NEV as a strategic investor will strengthen the Company's shareholder base. Further, the subscription and issue would strengthen the financial position of the Group and provide working capital to 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 31 December 2021, the Board has not granted any share to the Group's employees (2020: Nil) under the Scheme.

Hedging Activities

As at 31 December 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 AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not hold any significant investment with a value greater than 5% of its total assets as at 31 December 2021. The Group does not have plans for material investments or capital assets.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

After 31 December 2021 and up to the date of this announcement, there was no event occurred that has significantly affected the Group.

FINAL DIVIDEND

No dividends were declared for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF SHAREHOLDERS

The Company's annual general meeting will be held on Monday, 20 June 2022. For determining the entitlement to attend and vote at the annual general meeting, the register of shareholders of the Company will be closed from Wednesday, 15 June 2022 to Monday, 20 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 14 June 2022.

CORPORATE GOVERNANCE PRACTICES

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

As at 31 December 2021 and up to the date of this announcement, the Company has complied with all the applicable code provisions set out in the CG Code in force during the year, except for the following deviation:

Code provision A.2.1 of the CG Code

The roles of chairman and chief executive officer should be separate and performed by different individuals.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 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 pursuant to the subscription agreement dated 29 January 2021. Please refer to the section headed "Use of Proceeds of Issue of New Shares" above for further details. Save as disclosed above, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries for the year ended 31 December 2021.

AUDIT COMMITTEE

The audit committee has reviewed together with the Board the accounting principles and policies adopted by the Group, the audited annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2021. The audit committee also approved the annual results and the consolidated financial statements for the year ended 31 December 2021 and submitted them to the Board for approval.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

In accordance with the requirements under the Listing Rules applicable to the reporting period, the 2021 annual report containing all the information about the Company set out in this announcement including the financial results for the year ended 31 December 2021 will be posted on the Company's website (www.luye.cn) and the website of the Stock Exchange (www.hkexnews.hk) and despatched to the shareholders of the Company in due course.

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

Hong Kong, 30 March 2022

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 of the Company are Mr. SONG Rui Lin and Mr. SUN Xin; and the independent non-executive directors of the Company are Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit and Mr. CHOY Sze Chung Jojo.