LUYE PHARMA GROUP LTD.
绿叶制药集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 02186)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- Revenue decreased by RMB100.8 million or 3.4% to RMB2,850.8 million, as compared to the six months ended 30 June 2021.
- Gross profit increased by RMB96.4 million or 4.9% to RMB2,050.1 million, as compared to the six months ended 30 June 2021, and gross profit margin was 71.9%.
- Net profit decreased by RMB104.8 million or 25.7% to RMB303.2 million, as compared to the six months ended 30 June 2021.
- Profit attributable to shareholders decreased by RMB89.6 million or 23.2% to RMB297.0 million, as compared to the six months ended 30 June 2021.
- EBITDA decreased by RMB38.7 million or 4.1% to RMB916.0 million, as compared to the six months ended 30 June 2021.
- Earnings per share was RMB8.54 cents, as compared to RMB11.32 cents for the six months ended 30 June 2021.
- No interim dividend was proposed by the Board for the six months ended 30 June 2022.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Luye Pharma Group Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022, together with the comparative figures for the corresponding period of 2021, as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**2,850,826**	2,951,664
Cost of sales		**(800,742)**	(997,983)
Gross profit		**2,050,084**	1,953,681
Other income and gains	*5*	**141,924**	162,288
Selling and distribution expenses		**(838,152)**	(770,728)
Administrative expenses		**(266,183)**	(281,873)
Other expenses		**(498,757)**	(379,309)
Finance costs	*7*	**(214,111)**	(195,981)
Share of profit of an associate		**568**	358
PROFIT BEFORE TAX	*6*	**375,373**	488,436
Income tax expense	*8*	**(72,187)**	(80,446)
PROFIT FOR THE PERIOD		**303,186**	407,990
Attributable to:			
Owners of the parent		**296,997**	386,585
Non-controlling interests		**6,189**	21,405
		303,186	407,990
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic (RMB)		**8.54 cents**	11.32 cents
Diluted (RMB)		**8.54 cents**	11.29 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**303,186**	407,990
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(35,960)**	(7,663)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(5,237)**	34,372
Income tax effect	**481**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(40,716)**	26,709
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**262,470**	434,699
Attributable to:		
Owners of the parent	**256,281**	413,294
Non-controlling interests	**6,189**	21,405
	262,470	434,699

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**4,019,317**	3,858,491
Advance payments for property, plant and equipment and other intangible assets		**364,534**	390,989
Right-of-use assets		**331,276**	344,990
Goodwill		**966,739**	985,413
Other intangible assets		**5,673,071**	5,441,833
Investment in an associate		**7,562**	8,659
Long-term receivables		**8,380**	8,380
Equity investments designated at fair value through other comprehensive income		**95,370**	95,273
Financial assets at fair value through profit or loss		**478,263**	478,263
Pledged time deposits		**230,000**	440,000
Deferred tax assets		**127,436**	133,106
Total non-current assets		**12,301,948**	12,185,397
CURRENT ASSETS			
Inventories		**784,625**	746,344
Trade and notes receivables	*12*	**1,934,990**	1,765,096
Prepayments, other receivables and other assets		**437,765**	1,039,538
Financial assets at fair value through profit or loss		**1,826,166**	2,684,198
Restricted cash		**32,095**	31,982
Pledged time deposits		**1,511,152**	1,303,395
Time deposits with original maturity of over three months		**366,500**	387,859
Cash and cash equivalents		**3,372,826**	2,438,252
Total current assets		**10,266,119**	10,396,664
CURRENT LIABILITIES			
Trade and notes payables	*13*	**442,598**	570,890
Other payables and accruals		**1,309,192**	1,318,092
Interest-bearing bank and other borrowings	*14*	**5,411,607**	5,263,216
Government grants		**69,235**	31,353
Tax payable		**167,705**	141,142
Dividend Payable		**—**	5,500
Total current liabilities		**7,400,337**	7,330,193
NET CURRENT ASSETS		**2,865,782**	3,066,471
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,167,730**	15,251,868

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,167,730**	15,251,868
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**1,806,269**	2,356,923
Convertible bonds	*15*	**1,969,050**	1,870,654
Contingent consideration payables		**346,714**	334,378
Redemption liabilities on non-controlling interests		**1,240,119**	1,202,818
Employee defined benefit obligation		**6,566**	6,793
Government grants		**156,257**	209,387
Deferred tax liabilities		**63,170**	57,874
Other non-current liabilities		**130,854**	99,138
Total non-current liabilities		**5,718,999**	6,137,965
Net assets		**9,448,731**	9,113,903
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**456,953**	455,835
Treasury shares		**(279,558)**	(279,558)
Share premium		**1,779,350**	1,715,981
Equity component of convertible bonds		**284,222**	292,398
Reserves		**6,572,746**	6,303,467
		8,813,713	8,488,123
Non-controlling interests		**635,018**	625,780
Total equity		**9,448,731**	9,113,903

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. CORPORATE INFORMATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 was approved and authorised by the board of directors on 29 August 2022.

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

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its

recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- IFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

4. OPERATING SEGMENT INFORMATION

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

For the six months ended 30 June 2022 (Unaudited)

	Oncology drugs *RMB'000*	Cardio-vascular system drugs *RMB'000*	Alimentary tract and metabolism drugs *RMB'000*	Central nervous system drugs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue						
Sales of products	**600,605**	**783,446**	**322,716**	**575,607**	**64,405**	**2,346,779**
Sales of product know-how	**400,000**	**—**	**—**	**—**	**—**	**400,000**
Provision of research and development services	**24,384**	**3,615**	**—**	**—**	**—**	**27,999**
Out-licensing agreements	**—**	**—**	**—**	**76,048**	**—**	**76,048**
Total revenue	**1,024,989**	**787,061**	**322,716**	**651,655**	**64,405**	**2,850,826**
Segment results	**571,726**	**278,888**	**62,791**	**271,159**	**27,368**	**1,211,932**
Other income and gains						**141,924**
Administrative expenses						**(266,183)**
Other expenses						**(498,757)**
Finance costs						**(214,111)**
Share of profit of an associate						**568**
Profit before tax						**375,373**

For the six months ended 30 June 2021 (Unaudited)

	Oncology drugs *RMB'000*	Cardio-vascular system drugs *RMB'000*	Alimentary tract and metabolism drugs *RMB'000*	Central nervous system drugs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue						
Sales of products	587,060	734,683	458,331	618,703	71,327	2,470,104
Sales of product know-how	339,938	65,970	—	74,092	—	480,000
Out-licensing agreements	—	—	—	1,560	—	1,560
Total revenue	926,998	800,653	458,331	694,355	71,327	2,951,664
Segment results	590,934	325,883	68,874	179,691	17,571	1,182,953
Other income and gains						162,288
Administrative expenses						(281,873)
Other expenses						(379,309)
Finance costs						(195,981)
Share of profit of an associate						358
Profit before tax						488,436

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers	**2,850,826**	2,951,664
Other income and gains		
Bank interest income	**45,445**	55,091
Government grants	**34,440**	54,177
Changes in fair value of investments	**41,904**	23,673
Investment income from financial instruments at fair value through profit or loss	**4,571**	25,244
Lease and property management service income	**5,083**	—
Others	**10,481**	4,103
	141,924	162,288

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**166,389**	150,336
Amortisation of other intangible assets	**145,969**	106,483
Depreciation of right-of-use assets	**14,114**	13,441
Auditor's remuneration	**4,500**	2,900
Research and development costs	**426,348**	303,742
Cost of products sold	**800,742**	997,983
Foreign exchange loss, net	**11,680**	1,164
Share-based payment expense	**16,047**	25,495
Remeasurement of contingent considerations	**12,336**	45,608
Fair value adjustment of redemption liabilities on non-controlling interests	**37,301**	27,473
(Gain)/loss on disposal of non-current assets	**(201)**	165

7. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans	**121,005**	119,280
Interest on convertible bonds	**68,838**	64,971
Interest on discounted notes receivable	**19,171**	6,604
Interest on discounted letters of credit	**4,447**	4,748
Interest on lease liabilities	**650**	378
	214,111	195,981

8. INCOME TAX EXPENSE

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

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax	**61,461**	100,508
Deferred tax	**10,726**	(20,062)
Total tax charge for the period	**72,187**	80,446

9. DIVIDEND

No interim dividend was declared by the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,477,478,391 (six months ended 30 June 2021: 3,414,484,434) in issue during the period. The number of shares for the current period has been arrived at after eliminating the shares of the Company held under the share award scheme and shares repurchased.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2021 is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the share award scheme.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2021 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 earnings per share amount presented for the six months ended 30 June 2022 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 earnings per share amount presented.

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**296,997**	386,585

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of shares in issue during the period	**3,477,478,391**	3,414,484,434
Effect of dilution — weighted average number of ordinary shares under the share award scheme	**—**	10,971,775
	3,477,478,391	3,425,456,209

11. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Carrying amount at beginning of period	**3,858,491**	3,677,698
Additions	**336,414**	518,910
Depreciation provided during the period	**(166,389)**	(309,211)
Exchange realignment	**(5,538)**	(20,993)
Disposals	**(3,661)**	(7,913)
Carrying amount at end of period	**4,019,317**	3,858,491

As at 30 June 2022, the Group was applying for the certificates of ownership for certain properties with a net book value of RMB106,018,000 (31 December 2021: RMB107,386,000). The directors of the Company are of the opinion that the use of the properties and the conduct of operating activities at those properties referred to above are not affected by the fact the Group had not yet obtained the relevant property title certificates. The Group is not able to assign, transfer or mortgage these assets until these certificates are obtained.

As at 30 June 2022, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB529,391,000 (31 December 2021: RMB557,809,000) were pledged to secure bank loans (note 14).

12. TRADE AND NOTES RECEIVABLES

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Trade receivables	**1,628,892**	1,518,185
Notes receivable	**309,591**	250,315
	1,938,483	1,768,500
Less: Impairment of trade receivables	**(3,493)**	(3,404)
	1,934,990	1,765,096

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

The notes receivable are due within twelve months. As at 30 June 2022, notes receivable of RMB309,591,000 (31 December 2021: RMB250,315,000) 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 for the six months ended 30 June 2022.

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

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Less than 3 months	**1,486,578**	1,008,416
Between 3 and 6 months	**39,875**	57,993
Between 6 and 12 months	**100,689**	449,895
Between 1 and 2 years	**454**	697
Over 2 years	**1,296**	1,184
	1,628,892	1,518,185

As at 30 June 2022, the Group has pledged notes receivable of RMB3,306,000 (31 December 2021: RMB11,932,000) to secure notes payable (note 13).

As at 30 June 2022, the Group has pledged intra-group notes receivable of RMB183,242,000 (31 December 2021: RMB50,000,000) to secure bank loans (note 14).

As at 30 June 2022, notes receivable and intra-group notes receivable of RMB56,492,000 (31 December 2021: RMB6,170,000) and RMB1,184,822,000 (31 December 2021: RMB750,000,000) were discounted.

As at 30 June 2022, the Group endorsed certain notes receivable accepted by certain banks in the PRC (the "**Endorsed Notes**") to certain of its suppliers in order to settle the trade and other payables due to such suppliers with carrying amounts in aggregate of RMB290,776,000 (31 December 2021: RMB463,670,000). In addition, the Group discounted certain notes receivable accepted by certain banks in the PRC (the "**Discounted Notes**") to certain banks to finance its operating cash flows with carrying amounts in aggregate of RMB953,830,000 (31 December 2021: RMB1,142,309,000) (the "**Discount**"). The Endorsed Notes and the Discounted Notes had a maturity from one to twelve months as at 30 June 2022. In accordance with the Law of Negotiable Instruments and relevant discounting arrangements with certain banks in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**")

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to certain Endorsed Notes with amounts of RMB210,031,000 (31 December 2021: RMB362,386,000) and certain Discounted Notes with amounts of RMB432,516,000 (31 December 2021: RMB384,190,000) accepted by large and reputable banks as at 30 June 2022 (the "**Derecognised Notes**"). Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

Because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes and Discounted Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the Discounted Notes. Subsequent to the Endorsement or the Discount, the Group did not retain any rights on the use of the Endorsed Notes or the Discounted Notes, including the sale, transfer or pledge of the Endorsed Notes or the Discounted Notes to any other third parties. As at 30 June 2022, the aggregate carrying amounts of the trade and other payables settled by the Endorsed Notes to which the suppliers have recourse was RMB80,745,000 (31 December 2021: RMB101,284,000), and the aggregate carrying amounts financed by the Discounted Notes to which the banks have recourse was RMB521,314,000 (31 December 2021: RMB758,119,000).

13. TRADE AND NOTES PAYABLES

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade payables	**319,684**	323,445
Notes payable	**122,914**	247,445
	442,598	570,890

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

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Less than 3 months	**399,550**	538,576
Between 3 and 6 months	**25,758**	18,815
Between 6 and 12 months	**8,733**	6,906
Between 1 and 2 years	**3,970**	4,894
Over 2 years	**4,587**	1,699
	442,598	570,890

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

As at 30 June 2022, the Group's notes payable were secured by certain of the Group's notes receivable and time deposits amounting to approximately RMB3,306,000 (31 December 2021: RMB11,932,000) (note 12) and RMB99,708,000 (31 December 2021: RMB235,513,000), respectively.

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 30 June 2022

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans — secured	1-year LPR-0.25–4.65	2022–2023	2,852,726
Bank loan — secured US$10,001,250	1-year LIBOR+0.89	2023	67,122
Bank loans — secured EUR39,034,836	3-month EURIBOR+0.6–0.6	2023	273,572
Current portion of long-term bank loans — secured	4.00–4.90	2022–2023	251,273
Current portion of long-term bank loans — secured US$48,374,130	3-month LIBOR+2.85	2023	324,658
Current portion of long-term bank loans — secured EUR12,645,778	3-month EURIBOR+1.70	2023	88,626
Discounted notes receivable	1.07–4.80	2022–2023	1,226,851
Discounted letters of credit	2.90–3.65	2023	310,866
Lease liabilities	3.80	2022	15,913
			5,411,607
Non-current			
Bank loans — secured	1-year LPR+0.30-4.90	2023–2026	691,383
Bank loans — secured US$163,574,656	3-month LIBOR+2.85	2025	1,097,815
Lease liabilities	3.80	2029	17,071
			1,806,269
Total interest-bearing loans and borrowings			7,217,876
Convertible bonds	7.29	2022–2024	1,969,050
			9,186,926

As at 31 December 2021

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans — secured	3.80–4.80	2022	2,981,722
Bank loan — secured US$15,012,042	1.70	2022	95,712
Bank loans — secured EUR92,078,921	3-month EURIBOR+0.60–1.35	2022	664,782
Current portion of long-term bank loans — secured	4.13–4.90	2022	148,628
Current portion of long-term bank loans — secured US$39,249,509	3-month LIBOR+2.85	2022	250,245
Current portion of long-term bank loan — secured EUR14,092,522	3-month EURIBOR+1.70	2022	101,744
Discounted notes receivable	0.80–4.80	2022	738,452
Discounted letters of credit	3.65–4.15	2022	259,186
Lease liabilities	3.98	2022	22,745
			5,263,216
Non-current			
Bank loans — secured	4.35–4.90	2023–2026	836,583
Bank loans — secured US$221,320,765	3-month LIBOR+2.85	2025	1,411,075
Bank loan — secured EUR12,474,157	3-month EURIBOR+1.70	2023	90,060
Lease liabilities	3.98	2029	19,205
			2,356,923
Total interest-bearing loans and borrowings			7,620,139
Convertible bonds	7.29	2022–2024	1,870,654
			9,490,793

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

(i) the pledge of certain of the Group's time deposits of RMB274,760,000 (31 December 2021: RMB727,784,000);

(ii) the pledge of certain of the Group's intra-group notes receivable of RMB183,242,000 (31 December 2021: RMB50,000,000) (note 12);

(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 RMB529,391,000 (31 December 2021: RMB557,809,000) (note 11);

(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 RMB5,327,000 (31 December 2021: RMB5,386,000); and

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

15. CONVERTIBLE BONDS

On 9 July 2019, the Company issued 1.50 per cent convertible bonds with an aggregate principal amount of US$300,000,000. The bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK$8.15 per share at any time on or after 19 August 2019 and up to the close of business on the date falling ten days prior to 9 July 2024. The bonds are redeemable at the option of the bondholders at a 3.75 per cent gross yield upon early redemption. Any convertible bonds not converted will be redeemed on 9 July 2024 at 112.25 per cent of its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 1.50 per cent per annum, which is payable semi-annually in arrears on 9 January and 9 July. As at 30 June 2022, the conversion price was HK$7.90 per share after adjustment as a result of the declaration of the dividends. During the period, convertible bonds with an aggregate principal amount of US$8,389,000 were converted into 8,298,419 ordinary shares at a conversion price of HK$7.90 per share.

16. RELATED PARTY TRANSACTIONS

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

Company	Relationship
Steward Cross Pte. Ltd. ("**Steward Cross**")	Associate
Luye Life Science Group Ltd. ("**Luye Life Science**")	A controlling shareholder of the Company
Yantai Painuo Biotech Co., Ltd. ("**Yantai Painuo**")	An entity controlled by the controlling shareholder
Shandong International Biotech Park Development Co., Ltd. ("**Biotech Park Development**")	An entity controlled by the controlling shareholder
Yantai Yunyue Winery Management Co., Ltd. ("**Yunyue Winery**")	An entity controlled by the controlling shareholder
Geneleap Biotech LLC (formerly known as "Luye Boston Research & Development LLC") ("**Luye Boston**")*	An entity controlled by the controlling shareholder
Yantai Cellzone Medical Diagnostics Center Co., Ltd. ("**Yantai Cellzone**")	An entity controlled by the controlling shareholder

* As at 30 June 2022, Luye Boston has ceased to be a related party of the Group. The outstanding balances with the entity are not disclosed as balances with related parties in note (b) below and the transaction amounts with the entity during the six months ended 30 June 2022 disclosed in note (a) only covered the periods when the entity was a related party.

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

	Notes	For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
Sales of products to:			
Steward Cross	*(i)*	**4,195**	4,546
Provision of manufacturing service to:			
Yantai Painuo	*(ii)*	**986**	—
Lease and property management services to:			
Yantai Painuo	*(ii)*	**5,083**	—
Accommodation services from:			
Yunyue Winery	*(ii)*	**44**	111
Research and development services from:			
Yantai Cellzone	*(ii)*	**1,164**	—
Lease and property management services from:			
Biotech Park Development	*(ii)*	**1,808**	—
Payment on behalf by:			
Biotech Park Development	*(iii)*	**904**	1,149
Luye Boston	*(iii)*	**111**	2,317
		1,015	3,466
Repayment to:			
Biotech Park Development	*(iii)*	**771**	1,319
Luye Boston	*(iii)*	**104**	1,984
		875	3,303
Advances from:			
Luye Life Science	*(iii)*	**2,013**	—

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

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

(b) Outstanding balances with related parties:

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Other receivables		
Biotech Park Development	**1,236**	—
Yantai Painuo	**12,108**	5,522
	13,344	5,522
Other payables		
Biotech Park Development	**—**	222
Luye Boston	**—**	31
Luye Life Science	**2,013**	—
	2,013	253
Lease liabilities		
Biotech Park Development	**7,246**	5,620
Luye Boston	**—**	3,536
	7,246	9,156

All outstanding balances with related parties were trade in nature except for other payables to related parties.

The balances with related parties except for lease liabilities are unsecured, interest-free and have no fixed terms of repayment.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group focuses on developing, producing, marketing and selling innovative pharmaceutical products in four of the largest and fastest growing therapeutic areas in the People's Republic of China ("**PRC**" or "**China**"), the United States (the "**U.S.**"), Europe and certain 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 six months ended 30 June 2022, 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 3.4% in the first half of 2022 as compared to that of 2021. The Group continually invests in research and development ("**R&D**") to maintain its competitiveness, and has a robust product pipeline including 32 pipeline product candidates in the PRC and 13 pipeline product candidates in the U.S., Europe and Japan.

Market Positioning

In China, the Group's key products are competitively positioned in four key therapeutic areas and have gained top-ranking market shares measured by revenue. According to IQVIA, oncology-related pharmaceutical products constituted the largest market in China for pharmaceutical products in the first half of 2022. 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 30 June 2022. 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**"), a member of the Group. IQVIA data showed that cardiovascular system-related pharmaceutical products constituted the fourth largest market for pharmaceutical products in the PRC in the first half of 2022. 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 fifth largest vasoprotective pharmaceutical product in China in the first half of 2022, respectively. According to IQVIA, alimentary tract and metabolism-related pharmaceutical products constituted the second largest market for pharmaceutical products in the PRC in the first half of 2022. According to IQVIA, the Group was the second largest domestic pharmaceutical manufacturer of oral diabetic medications in China in the first half of 2022. IQVIA data showed that central nervous system-related pharmaceutical products constituted the fifth largest market for pharmaceutical products in the PRC in the first half of 2022. The Group's portfolio of CNS products includes Seroquel and Rykindo. Based on IQVIA data, the Group's key product Seroquel was the seventh largest product in schizophrenia therapeutic area and the largest quetiapine product in terms of sales in the PRC in the first half of 2022, and Rykindo was the only Risperidone Microspheres for Injection for sale in China as of 30 June 2022.

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 six months ended 30 June 2022, the Group's revenue from cardiovascular system products decreased by 1.7% to RMB787.1 million. Revenue from alimentary tract and metabolism products decreased by 29.6% to RMB322.7 million. Revenue from sales of oncology products increased by 10.6% to RMB1,025.0 million. Revenue from CNS products decreased by 6.1% to RMB651.7 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 30 June 2022, 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 first half of 2022. 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® (博優諾®)

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 RMB3.20 billion in the first half of 2022.

Xuezhikang® (血脂康®)

Xuezhikang is the Group's proprietary natural medicine derived from red yeast rice indicated for hypercholesterolaemia. According to the NMPA, the Group was the only Xuezhikang manufacturer in China as of 30 June 2022. According to IQVIA, the market for lipid-regulating drugs in China was estimated to be approximately RMB5.1 billion in the first half of 2022. 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 first half of 2022.

Maitongna® (麥通納®)

Maitongna is sodium aescinate in injectable form and is indicated for the treatment of cerebral edema and edema caused by trauma or surgery as well as for the treatment of venous reflux disorder. According to IQVIA, the market for vasoprotective pharmaceutical products in China was estimated to be approximately RMB1.5 billion in the first half of 2022. Maitongna was the best-selling domestically manufactured sodium aescinate product in China in the first half of 2022 and ranked as the fourth most-used vasoprotective pharmaceutical product domestically manufactured in China in the first half of 2022.

Bei Xi® (貝希®)

Bei Xi is acarbose in capsule form and is indicated for lowering blood glucose in patients with type 2 diabetes mellitus. According to the NMPA, the Group was the only manufacturer of acarbose in capsule form in the first half of 2022. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB0.7 billion in the first half of 2022 and Bei Xi ranked as the second most popular oral diabetic medication domestically manufactured in China in the first half of 2022.

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 seventh most-used product in schizophrenia therapeutic area and the most-used quetiapine product in the PRC in the first half of 2022. 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 for marketing 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 microsphere for injection administered bi-weekly for the treatment of schizophrenia and is the only Risperidone Microspheres for Injection for sale in China as of 30 June 2022. 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 30 June 2022, the Group's R&D team consisted of 839 employees, including 72 Ph.D. degree holders and 407 master's degree holders in medical, pharmaceutical and other related areas. As at 30 June 2022, the Group had been granted 248 patents and had 82 pending patent applications in the PRC, as well as 615 patents and 126 pending patent applications overseas.

The Group intends to continue investing in the products in four strategic therapeutic areas — oncology, CNS, cardiovascular and alimentary tract and metabolism. As at 30 June 2022, the Group had 32 PRC pipeline product candidates in various stages of development. These candidates included 13 oncology products, 12 CNS products and 7 other products. Also, the Group had 13 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

For global R&D progress:

In January 2022, the Group's monthly microspheres injection LY03009 ("**LY03009**") has been approved to initiate clinical trial in the U.S.. LY03009 is indicated for the treatment of Parkinson's disease and restless legs syndrome. It has been developed on the Group's long-acting and extended release technology platform. LY03009 is a microspheres injection for once-monthly dosing, which can maintain a stable drug level in blood plasma during the target dosing intervals. It possesses the benefit of continuous dopaminergic stimulation, which can delay and treat motor complications and delay introduction of levodopa in the treatment of Parkinson's disease. The maintenance of an effective drug

level overnight is expected to improve nocturnal symptoms control and the drug's wake-promotion function. The one-month target dosing interval can reduce administration frequency, simplify treatment regimen, and thus contribute to the improvement of treatment compliance and clinical outcomes.

For China R&D progress:

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 the Centre for Drug Evaluation ("**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. In July 2022, LY01017 has been approved by the Hainan Medical Products Administration for import to specific medical institutions in Hainan Boao Lecheng International Medical Tourism Pilot Zone ("**Boao Lecheng Pilot Zone**") for urgent clinical use. To date, Lurbinectedin has received the accelerated approval in the U.S., and provisional marketing approval in Australia, the United Arab Emirates, Canada, Singapore and Qatar. In 2019, the Group was exclusively licensed by PharmaMar to develop and commercialize Lurbinectedin in China, covering all indications including SCLC.

In March 2022, the Class 1 new chemical entity (NCE) product LY03005 ("**LY03005**") under development by the Group has been approved by the CDE in China to initiate phase III clinical trial for the treatment of generalized anxiety disorder. LY03005 is a new chemical entity therapeutic drug with a new mechanism of action. It is a serotonin (5-HT), norepinephrine (NE) and dopamine (DA) reuptake inhibitor (SNDRI/TRI). The approved clinical trial is a phase III clinical study evaluating the efficacy and safety of LY03005 on patients with generalized anxiety disorder. Previously, LY03005 has completed Phase I to Phase III clinical trials for the treatment of depressive disorder in China, and its marketing authorization application has been accepted by CDE in June 2021.

In April 2022, the marketing authorization application for the central nervous system product Rivastigmine Twice-Weekly Transdermal Patch developed by the Group has been accepted by CDE in China. The product is indicated for the treatment of mild to moderate dementia associated with Alzheimer's disease. Rivastigmine Twice-Weekly Transdermal Patch requires lower frequency of application than the Rivastigmine Single-Day Transdermal Patch generally available in the market, enabling it to improve patients' medication adherence. Due to its transdermal route of administration, Rivastigmine Twice-Weekly Transdermal Patch is convenient for patients who have difficulty in swallowing, and it was shown to reduce the incidence of gastrointestinal adverse reactions such as nausea and vomiting compared with the oral form. The product has received marketing authorization

for several European countries in 2021. In order to promote the product for the benefit of more Chinese patients, the Group and Changchun GeneScience Pharmaceutical Co., Ltd. ("**GENSCI**") entered into an agreement in December 2021 to grant GENSCI the commercialization rights of Rivastigmine Twice-Weekly Transdermal Patch and other products in mainland China.

In May 2022, Class 1 new drug LPM3480392 injection ("**LY03014**") developed by the Group has completed phase I clinical trial in the China. LY03014 is a small molecule Gi protein biased at mu-opioid receptor agonist, and is indicated for the treatment of moderate to severe acute postoperative pain and breakthrough cancer pain.

In July 2022, the phase III clinical trial of the Group's new drug, Rotigotine Extended-Release Microspheres for injection ("**LY03003**"), in Parkinson's disease has met expected endpoints in China. LY03003 delivers medication by weekly intramuscular injection. This is the first product worldwide to produce long-term Continuous Dopamine Stimulation (CDS). It is expected to improve the patients' symptoms throughout the day and quality of life. The stable release of the drug in the human body can improve the motor and non-motor symptoms in patients with early and advanced stage of Parkinson's disease, reduce the "on-off" phenomenon and motor complications in patients with Parkinson's disease. It is expected that long-term application of the drug will delay the development of motor complications.

In July 2022, the phase III clinical trial of the Group's new drug, Goserelin Acetate Extended-release Microspheres for Injection ("**LY01005**") for the treatment of breast cancer has met expected endpoints in China. LY01005 is the Group's monthly extended release microspheres for intramuscular formulation of goserelin acetate, a gonadotropin-releasing hormone agonist, developed under the Group's microspheres technology platform. As far as the Company is aware, the only dosage form of goserelin currently on the market is a subcutaneous implant. LY01005 can effectively reduce the adverse reactions at the injection site by applying the innovative microsphere technology, improve patient experience for its usage, reduce nursing difficulty and improve the patient's tolerance and compliance. Currently, the new drug application for LY01005 for prostate cancer indication is under review in China. In August 2022, the new drug application for LY01005 for the treatment of breast cancer has been accepted by CDE in China.

For Boan Biotech:

In July 2022, the dulaglutide injection ("**BA5101**") developed by Boan Biotech has entered into phase III clinical trial (comparative clinical efficacy and safety studies) in China. As a biosimilar to Trulicity®, BA5101 is indicated for glycemic control in adults with type 2 diabetes mellitus.

Sales, Marketing and Distribution

For global market:

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

In March 2022, the Group has granted Exeltis Pharma Mexico, S.A de C.V and Exeltis Pharmaceuticals Holding, S.L (collectively, "**Exeltis**") the exclusive rights to commercialize Rivastigmine MD in Mexico and Poland.

For China market:

The Group has established an extensive nationwide sales and distribution network and sold its products to 30 provinces, autonomous regions and municipalities throughout the PRC in the first half of 2022. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,740 distributors that collectively enabled the Group to sell its products to over 18,100 hospitals, which comprised approximately 2,200 or approximately 87.0% of all Class III hospitals, approximately 5,400 or approximately 65.0% of all Class II hospitals and approximately 10,500 or approximately 57.0% of all Class I and other hospitals and medical institutions, in the PRC in the first half of 2022. 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 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. The 2021 NRDL has come into effect in January 2022.

Business Collaborations

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 ("**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.

In March 2022, the Group has granted Exeltis the exclusive rights to commercialize Rivastigmine MD in Mexico and Poland.

Manufacturing

For the six months ended 30 June 2022, 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 Denosumab injection ("**BA6101**") has successfully passed the inspection by NMPA. The manufacturing site for transdermal patches in Miesbach, Germany, maintained full capacity and continuously increases output along growing customer demands. Customer audits during the reporting period were performed partly remotely, partly on site and underlined the compliance with GMP standards. Several new customers were on-boarded during the reporting period and their product launches were supported as per customer timelines. With the launch of Rivastigmine MD a proprietary and innovative formulation has reached marketing stage in Europe, complementing the product portfolio of the Miesbach site.

Industry Policy Risk

Volume-based Procurement ("VBP")

In the past three 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%.

The Group's products were not included in the fifth, sixth and seventh round of national VBP.

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 recorded a slight decrease in revenue of 3.4%.

Since it is a highly competitive industry, inevitably all the pharmaceutical companies are facing intense competition from other market participants. Furthermore, the industry is highly constrained by the government policy, which may cause great uncertainty during the pharmaceutical companies' developments. In recent years, policies such as VBP and NRDL have been creating significant impacts to the industry.

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

In December 2020, Lipusu, being the Group's paclitaxel formulation with innovative liposome delivery system, has been included in the category B of the new Catalogue of NRDL. All indications of Lipusu, including non-small cell lungs cancer, ovarian and breast cancer, are reimbursed under the NRDL. The inclusion of Lipusu in the NRDL demonstrates that NHSA recognizes, among other factors, the clinical

value, patients benefit and novelty of Lipusu. This will also allow more patients to be able to afford Lipusu, increase its penetration into the relevant indications, and provide momentum to its long-term growth.

The Group 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**" or "**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 is expected to bring new hope to about 10 million schizophrenia patients in China. The 2021 NRDL has come into effect in January 2022.

In May 2021, the marketing registration in relation to the Bevacizumab injection ("**LY01008**" or "**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, the sales of Bevacizumab injection in China reached RMB3.20 billion in the first half of 2022.

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, the Group has made remarkable progresses in R&D fields since 2021. In China, the marketing authorization application of LY03005, BA6101, LY01005, LY021702 and LY03013 has been accepted by CDE; marketing authorization application of LY01017 has submitted in Hong Kong, China; phase III clinical trial of LY03003 for the treatment of Parkinson's disease has met expected endpoints; phase III clinical trial of LY01005 for the treatment of breast cancer has met expected endpoints; BA9101 and BA5101 entered into phase III clinical trial; LY-CovMab entered into phase II clinical trial; LY03014 completed phase I clinical trial; LY09606, BA1104, 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. Boan Biotech has successfully commercialized Boyounuo® and recorded a revenue of RMB158.7 million in about eight months in 2021. Additionally, Boan Biotech has developed several 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.

In addition, Boan Biotech is applying for a separate listing on the SEHK and proposes to conduct an offering of its shares by way of a global offering. On 13 May 2022, Boan Biotech submitted a listing application to the SEHK to apply for the listing of, and the permission to deal in, the H shares of Boan Biotech on the Main Board of the SEHK. The Board is of the view that the proposed spin-off of Boan Biotech from the Group will be in the interests of the Company and Boan Biotech and their respective shareholders as a whole considering that the proposed spin-off will allow Boan Biotech to build its identity as a separately listed company, to have a separate fund-raising platform for its fast growing business and to broaden its investor base, among other things. Upon completion of the proposed spin-off, Boan Biotech is expected to remain as a subsidiary of the Company, which will thus be able to continue enjoying the benefits from the growth of Boan Biotech's business notwithstanding its separate listing. The proposed spin-off is still subject to, among other things, the approval of the Listing Committee of the SEHK, the final decisions of the Board and the board of directors of Boan Biotech, market conditions and other considerations.

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 six months ended 30 June 2022, the Group's revenue amounted to approximately RMB2,850.8 million, as compared to RMB2,951.7 million for the six months ended 30 June 2021, representing a decrease of approximately RMB100.8 million, or 3.4%. The decrease was mainly attributable to decrease in sales of some of the Group's key products.

For the six months ended 30 June 2022, revenue from sales of oncology products increased to RMB1,025.0 million, as compared to RMB927.0 million for the six months ended 30 June 2021, representing an increase of approximately RMB98.0 million, or 10.6%, primarily attributable to the increase in sales of some key oncology products of the Group.

For the six months ended 30 June 2022, revenue from sales of cardiovascular system products decreased to RMB787.1 million, as compared to RMB800.7 million for the six months ended 30 June 2021, representing a decrease of approximately RMB13.6 million, or 1.7%, primarily attributable to the decrease in sales of a few cardiovascular system products of the Group.

For the six months ended 30 June 2022, revenue from sales of alimentary tract and metabolism products decreased to RMB322.7 million, as compared to RMB458.3 million for the six months ended 30 June 2021, representing a decrease of approximately RMB135.6 million, or 29.6%, primarily attributable to the decrease in the sales volume of some alimentary tract and metabolism products of the Group.

For the six months ended 30 June 2022, revenue from sales of CNS products decreased to RMB651.7 million, as compared to RMB694.4 million for the six months ended 30 June 2021, representing a decrease of approximately RMB42.7 million or 6.1%, primarily attributable to the decrease in sales of CNS products.

For the six months ended 30 June 2022, revenue from sales of other products decreased to RMB64.4 million, as compared to RMB71.3 million for the six months ended 30 June 2021, representing a decrease of approximately RMB6.9 million, or 9.7%, primarily attributable to the decrease in sales volume of various other products of the Group.

Cost of Sales

The Group's cost of sales decreased from RMB998.0 million for the six months ended 30 June 2021 to approximately RMB800.7 million for the six months ended 30 June 2022, which accounted for approximately 28.1% of the Group's total revenue for the same period.

Gross Profit

For the six months ended 30 June 2022, the Group's gross profit increased to RMB2,050.1 million, as compared to RMB1,953.7 million for the six months ended 30 June 2021, representing an increase of approximately RMB96.4 million, or 4.9%. The gross profit margin increased slightly to 71.9% for the six months ended 30 June 2022, from 66.2% for the six months ended 30 June 2021 mainly due to the higher sales of products with slightly higher margin.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income and investment income. For the six months ended 30 June 2022, the Group's other income and gains decreased to RMB141.9 million, as compared to RMB162.3 million for the six months ended 30 June 2021, representing a decrease of approximately RMB20.4 million, or 12.5%. The decrease was mainly attributable to a decrease in government grants recognized during the period.

Selling and Distribution Expenses

The Group's selling and distribution expenses consisted of expenses that were directly related to the Group's marketing, promotion and distribution activities. For the six months ended 30 June 2022, the Group's selling and distribution expenses amounted to RMB838.2 million, as compared to RMB770.7 million for the six months ended 30 June 2021, representing an increase of RMB67.4 million, or 8.7%. The increase was mainly attributable to increase in promotion expenses and conference expenses. On the other hand, as a percentage of revenue, the Group's selling and distribution expenses increased from 26.1% for the six months ended 30 June 2021 to 29.4% for the six months ended 30 June 2022, primarily as a result of the lower sales during the period.

Administrative Expenses

The Group's administrative expenses primarily consisted of staff cost, general operating expenses, conference and entertainment expenses, travel and transportation expenses, depreciation, amortisation and impairment loss, auditor's remuneration, consulting expenses, bank charges, taxation and other administrative expenses. For the six months ended 30 June 2022, the Group's administrative expenses amounted to approximately RMB266.2 million, as compared to RMB281.9 million for the six months ended 30 June 2021, representing a decrease of approximately RMB15.7 million, or 5.6%. The decrease was primarily attributable to lower staff cost during the period.

Other Expenses

The Group's other expenses primarily consisted of its R&D costs, changes in fair value of financial instruments, donations, loss on disposals of property, plant and equipment and miscellaneous expenses. For the six months ended 30 June 2022, the Group's other expenses amounted to approximately RMB498.8 million, as compared to RMB379.3 million for the six months ended 30 June 2021, representing an increase of approximately RMB119.4 million, or 31.5%. The increase was mainly due to higher R&D costs during the period.

Finance Costs

For the six months ended 30 June 2022, the Group's finance costs amounted to RMB214.1 million, as compared to RMB196.0 million for the six months ended 30 June 2021, representing an increase of approximately RMB18.1 million, or 9.3%. The increase was mainly due to higher bank borrowings and convertible bonds interests during the six months ended 30 June 2022 as compared to the corresponding period of 2021.

Income Tax Expense

For the six months ended 30 June 2022, the Group's income tax expense amounted to RMB72.2 million, as compared to RMB80.4 million for the six months ended 30 June 2021, representing a decrease of RMB8.3 million, or 10.3%. The effective tax rates for the six months ended 30 June 2022 and 2021 were 19.2% and 16.5%, respectively.

Net Profit

The Group's net profit for the six months ended 30 June 2022 was approximately RMB303.2 million, as compared to RMB408.0 million for the six months ended 30 June 2021, representing a decrease of approximately RMB104.8 million, or 25.7%.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2022, the Group had net current assets of approximately RMB2,865.8 million, as compared to approximately RMB3,066.5 million as at 31 December 2021. The current ratio of the Group decreased slightly to approximately 1.39 as at 30 June 2022 from approximately 1.42 as at 31 December 2021. The decrease in net current assets was mainly attributable to slightly higher level of loans and borrowings under the Group's current liabilities.

Borrowings and Pledge of Assets

As at 30 June 2022, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB7,184.9 million, as compared to approximately RMB7,578.2 million as at 31 December 2021. Amongst the loans and borrowings, approximately RMB5,395.7 million are repayable within one year, and approximately RMB1,789.2 million are repayable after one year. RMB4,306.2 million of the loans and borrowings of the Group carried interest at fixed interest rate. The increase in loans and borrowings is mainly for working capital of the Group. The bank loans were secured by the Group's time deposits, property, plant and equipment, other unlisted investments and notes receivable. As at 30 June 2022, 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. Please refer to note 14 to the unaudited consolidated financial statements of the Group for details of the maturity profile, currency and interest rate structure of such borrowings.

Gearing Ratio

As at 30 June 2022, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to 76.4% from 83.6% as at 31 December 2021. The decrease was primarily due to a decrease in the Group's total borrowings taken during the reporting period.

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

Foreign Exchange and Exchange Rate Risk

The Group primarily operates in the PRC and is exposed to foreign currency risk arising from fluctuations in exchange rate between RMB and other currencies in which the Group conducts its business. The Group is subject to foreign currency risk attributable to the bank balances, trade and other receivables and payables as well as bank loans that are denominated in currencies other than RMB. The Group seeks to limit the exposure to foreign currency risk by minimising its net foreign currency position. The Group did not enter into any hedging transactions in respect of foreign currency risk as at 30 June 2022. The Directors expect that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operation of the Group.

Share Award Scheme (the "**Scheme**")

The Company adopted the Scheme on 10 January 2017. The purpose of the Scheme is to recognise contributions by certain employees, including any executive director of any member of the Group except for the current executive directors and to provide them with incentives in order to retain them for the continuing operation and development of the Group and to attract suitable personnel for the further development of the Group. As at 30 June 2022, the Board has not granted any share to employees (2021: Nil) under the Scheme.

Hedging Activities

As at 30 June 2022, 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 30 June 2022. The Group does not have plans for material investments or capital assets.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Company has received optional put exercise notices in respect of US$291,611,000 in principal amount of the convertible bonds (ISIN: XS2019971279; Common Code: 201997127; Stock code: 5993) (the "**Convertible Bonds**") requiring the Company to redeem such bonds at 107.07 per cent. of their

principal amount on 9 July 2022. The Company has settled the amount payable for the repurchase of the bonds. Following the completion of the redemption, no such Convertible Bonds were outstanding and the delisting of such bonds has taken place in July 2022. For further details of the optional put exercise and the redemption of the Convertible Bonds, please refer to the annoucements dated 11 July 2022 and 14 July 2022.

On 16 August 2022, the Company issued the convertible bonds in an aggregate principal amount of Hong Kong dollars equivalent of RMB1,200 million (the "**Firm Bonds**"). For further details of the Firm Bonds, please refer to the announcements of the Company dated 28 July 2022 and 16 August 2022.

INTERIM DIVIDEND

No interim dividend was declared by the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

CORPORATE GOVERNANCE PRACTICES

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

During the six months ended 30 June 2022, the Company has complied with all the applicable code provisions set out in the CG Code, save and except for the deviation from Code Provision C.2.1 of the CG Code, which requires the roles of chairman and chief executive officer should be separate and performed by different individuals.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") of Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 27 May 2022, 8,298,419 shares of the Company were issued in relation to the exercise of the conversion rights by the convertible bondholders in respect of the Convertible Bonds issued by the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company for the six months ended 30 June 2022.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited interim condensed consolidated financial statements and interim results announcement of the Group for the six months ended 30 June 2022 and recommended its adoption by the Board.

In addition, the independent auditor of the Company, Ernst & Young, has reviewed the unaudited interim results for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE INTERIM RESULTS AND 2022 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.luye.cn), and the 2022 interim report containing all the information required by the Listing Rules will be despatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 August 2022

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