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 2022

FINANCIAL HIGHLIGHTS

- Revenue increased by RMB781.5 million or 15.0% to RMB5,981.7 million, as compared to the year ended 31 December 2021.
- EBITDA increased by RMB905.9 million or 99.9% to RMB1,812.8 million, as compared to the year ended 31 December 2021. Normalised EBITDA* increased by RMB607.3 million or 44.8% to RMB1,962.6 million as compared to the year ended 31 December 2021.
- Gross profit increased by RMB743.8 million or 21.9% to RMB4,140.5 million, as compared to the year ended 31 December 2021, and gross profit margin was 69.2%.
- Net profit amounted to RMB583.3 million, representing an increase of RMB728.1 million from the net loss for the year ended 31 December 2021. Normalised net profit** increased by RMB435.1 million or 100.0% to RMB870.1 million as compared to the year ended 31 December 2021.
- Profit attributable to shareholders amounted to RMB604.8 million, representing an increase of RMB739.2 million from the net loss for the year ended 31 December 2021. Normalised profit attributable to shareholders** increased by RMB447.0 million or 101.8% to RMB886.0 million as compared to the year ended 31 December 2021.
- Research and development expenses increased by RMB174.2 million or 25.5% to RMB857.3 million, as compared to the year ended 31 December 2021. Total research and development costs were RMB1,399.4 million (2021: RMB1,476.4 million) of which RMB542.1 million (2021: RMB793.3 million) was capitalized.
- Earnings per share was RMB17.38 cents compared to a loss of RMB3.90 cents for the year ended 31 December 2021.
- No dividend was proposed by the Board for the year ended 31 December 2022.

* 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, fair value change of convertible bonds and provision for legal claims.

** 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, fair value change of convertible bonds and provision for legal claims.

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 2022, together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
REVENUE	*5*	**5,981,656**	5,200,226
Cost of sales		**(1,841,140)**	(1,803,486)
Gross profit		**4,140,516**	3,396,740
Other income and gains	*5*	**393,136**	330,690
Selling and distribution expenses		**(1,819,691)**	(1,704,780)
Administrative expenses		**(582,870)**	(570,844)
Other expenses	*6*	**(990,405)**	(1,127,606)
Finance costs	*7*	**(471,755)**	(399,458)
Share of profit of an associate		**831**	701
PROFIT/(LOSS) BEFORE TAX	*6*	**669,762**	(74,557)
Income tax expense	*8*	**(86,466)**	(70,226)
PROFIT/(LOSS) FOR THE YEAR		**583,296**	(144,783)
Attributable to:			
Owners of the parent		**604,807**	(134,392)
Non-controlling interests		**(21,511)**	(10,391)
		583,296	(144,783)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)		**17.38 cents**	(3.90) cents
Diluted (RMB)		**17.38 cents**	(3.90) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**583,296**	(144,783)
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	**(8,655)**	(30,534)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(8,655)**	(30,534)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(3,264)**	6,178
Income tax effect	**346**	(491)
	(2,918)	5,687
Remeasurement on defined benefit plan	**5,755**	788
Income tax effect	**(557)**	(68)
	5,198	720
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**2,280**	6,407
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(6,375)**	(24,127)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**576,921**	(168,910)
Attributable to:		
Owners of the parent	**598,432**	(158,519)
Non-controlling interests	**(21,511)**	(10,391)
	576,921	(168,910)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,255,990**	3,858,491
Advance payments for property, plant and equipment and other intangible assets		**319,829**	390,989
Right-of-use assets		**333,307**	344,990
Goodwill		**1,003,371**	985,413
Other intangible assets		**5,984,684**	5,441,833
Investment in an associate		**7,781**	8,659
Long-term receivables		**8,600**	8,380
Equity investments designated at fair value through other comprehensive income		**100,952**	95,273
Financial assets at fair value through profit or loss	*12*	**1,005,351**	478,263
Pledged time deposits		**330,000**	440,000
Deferred tax assets		**113,947**	133,106
Total non-current assets		**13,463,812**	12,185,397
CURRENT ASSETS			
Inventories		**772,939**	746,344
Trade and notes receivables	*11*	**1,783,686**	1,765,096
Prepayments, other receivables and other assets		**1,033,093**	1,039,538
Financial assets at fair value through profit or loss	*12*	**1,973,824**	2,684,198
Restricted cash		**32,003**	31,982
Pledged time deposits		**1,619,828**	1,303,395
Time deposits with original maturity of over three months		**1,246,700**	387,859
Cash and cash equivalents		**2,323,740**	2,438,252
Total current assets		**10,785,813**	10,396,664

	Notes	2022 *RMB'000*	2021 *RMB'000*
CURRENT LIABILITIES			
Trade and notes payables	*13*	**559,944**	570,890
Other payables and accruals		**1,840,118**	1,318,092
Interest-bearing loans and borrowings	*14*	**5,377,982**	5,263,216
Convertible bonds — debt component		**1,461,806**	—
Convertible bonds — embedded derivative instrument		**87,705**	—
Government grants		**26,449**	31,353
Tax payable		**133,199**	141,142
Dividend payable		**—**	5,500
Total current liabilities		**9,487,203**	7,330,193
NET CURRENT ASSETS		**1,298,610**	3,066,471
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,762,422**	15,251,868
NON-CURRENT LIABILITIES			
Convertible bonds		**—**	1,870,654
Interest-bearing loans and borrowings	*14*	**2,264,731**	2,356,923
Contingent consideration payables		**—**	334,378
Government grants		**174,965**	209,387
Employee defined benefit obligation		**2,015**	6,793
Redemption liabilities on non-controlling interests		**—**	1,202,818
Deferred tax liabilities		**56,034**	57,874
Other non-current liabilities		**1,222,955**	99,138
Total non-current liabilities		**3,720,700**	6,137,965
Net assets		**11,041,722**	9,113,903

	2022	2021
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**456,953**	455,835
Treasury shares	**(279,558)**	(279,558)
Share premium	**3,076,828**	1,715,981
Equity component of convertible bonds	**—**	292,398
Reserves	**6,921,731**	6,303,467
	10,175,954	8,488,123
Non-controlling interests	**865,768**	625,780
Total equity	**11,041,722**	9,113,903

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act on 2 July 2003. It was listed on the Singapore Exchange Securities Trading Limited (the "SGX") on 5 May 2004, and has been delisted since 29 November 2012. On 9 July 2014, the Company succeeded its listing on the Main Board of The Stock Exchange of Hong Kong Limited (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, convertible bonds — embedded derivative instrument, 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 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 the impact of the revised IFRSs that are applicable to the Group 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* (the "Conceptual Framework") 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 business combinations during the year, 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 as determined by IAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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 is 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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 the revenue from and results of the major type of products sold for the purpose of resource allocation and assessment of segment performance. Segment results are 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 2022

	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	**1,518,174**	**1,522,370**	**632,356**	**1,213,880**	**172,518**	**5,059,298**
Sale of product know-how	**400,000**	**—**	**—**	**—**	**—**	**400,000**
Provision of research and development services	**48,423**	**13,348**	**—**	**12,419**	**12,499**	**86,689**
Out-licensing agreements	**339,244**	**—**	**—**	**96,425**	**—**	**435,669**
Total revenue	**2,305,841**	**1,535,718**	**632,356**	**1,322,724**	**185,017**	**5,981,656**
Segment results	**1,254,227**	**472,061**	**139,652**	**393,644**	**61,241**	**2,320,825**
Other income and gains						**393,136**
Administrative expenses						**(582,870)**
Other expenses						**(990,405)**
Finance costs						**(471,755)**
Share of profit of an associate						**831**
Profit before tax						**669,762**

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)

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Revenue from contracts with customers	**5,981,656**	5,200,226

Revenue from contracts with customers

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

For the year ended 31 December 2022

	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	**1,518,174**	**1,522,370**	**632,356**	**1,213,880**	**172,518**	**5,059,298**
Sale of product know-how	**400,000**	**—**	**—**	**—**	**—**	**400,000**
Provision of research and development services	**48,423**	**13,348**	**—**	**12,419**	**12,499**	**86,689**
Out-licensing agreements	**339,244**	**—**	**—**	**96,425**	**—**	**435,669**
Total revenue from contracts with customers	**2,305,841**	**1,535,718**	**632,356**	**1,322,724**	**185,017**	**5,981,656**
Geographical markets						
Mainland China	**2,305,841**	**1,523,922**	**627,240**	**396,662**	**177,499**	**5,031,164**
Asia (other than Mainland China)	**—**	**11,796**	**2,427**	**327,514**	**736**	**342,473**
European Union	**—**	**—**	**2,689**	**306,482**	**—**	**309,171**
Other countries	**—**	**—**	**—**	**292,066**	**6,782**	**298,848**
Total revenue from contracts with customers	**2,305,841**	**1,535,718**	**632,356**	**1,322,724**	**185,017**	**5,981,656**
Timing of revenue recognition						
Transferred at a point in time	**2,257,418**	**1,522,370**	**632,356**	**1,310,305**	**172,518**	**5,894,967**
Transferred over time	**48,423**	**13,348**	**—**	**12,419**	**12,499**	**86,689**
Total revenue from contracts with customers	**2,305,841**	**1,535,718**	**632,356**	**1,322,724**	**185,017**	**5,981,656**

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

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:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**39,640**	67,021

(ii) ***Performance obligations***

Information about the Group's performance obligations 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

Certain performance obligation is satisfied over time as services are rendered and payment is generally due within six months from the date of billing. Certain performance obligation is satisfied upon finalisation, delivery and acceptance of the services/deliverables and payment of the goods and payment is generally due within 30 days 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:

	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**46,376**	39,640
After one year	**209,475**	—
	255,851	39,640

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 supply 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.

	2022	2021
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**88,673**	101,996
Government grants	**87,331**	118,328
Investment income from financial assets at fair value through profit or loss	**87,430**	78,117
Changes in fair value of financial assets at fair value through profit or loss	**1,548**	—
Dividend income from equity investments at fair value through other comprehensive income	**—**	9,573
Foreign exchange gain, net	**106,198**	—
Lease and property management service income	**12,259**	1,592
Gain on termination of leases	**211**	—
Gain on disposal of items of property, plant and equipment	**—**	11,357
Others	**9,486**	9,727
	393,136	330,690

6. PROFIT/(LOSS) BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**1,762,326**	1,785,944
Cost of services provided	**78,814**	17,542
Depreciation of items of property, plant and equipment	**340,226**	309,211
Depreciation of right-of-use assets	**26,988**	33,516
Amortisation of other intangible assets*	**304,099**	239,255
Write-off of other intangible assets	**11,468**	—
Write-down of inventories to net realisable value**	**15,249**	18,421
Impairment of trade receivables, net	**839**	(519)
Lease payments not included in the measurement of lease liabilities	**20,019**	14,931
Auditor's remuneration	**12,246**	10,648
Listing expenses of a subsidiary	**43,138**	2,371
Bank interest income	**(88,673)**	(101,996)
Government grants	**(87,331)**	(118,328)
Investment income from financial assets at fair value through profit or loss	**(87,430)**	(78,117)
Foreign exchange gain, net	**(106,198)**	—
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**691,394**	719,797
Pension scheme contributions***	**148,794**	148,599
Pension plan costs (defined benefit plan)	**2,247**	1,552
Central Provident Fund in Singapore***	**2,884**	2,408
Staff welfare expenses	**51,545**	49,770
Equity-settled share award expense	**25,445**	49,976
	922,309	972,102
Other expenses:		
Research and development costs	**857,337**	683,156
Foreign exchange loss, net	**—**	24,091
Donation	**2,082**	1,130
Remeasurement of contingent considerations	**27,305**	57,505
Fair value adjustment of redemption liabilities on non-controlling interests	**37,301**	67,450
Changes in fair value of financial assets at fair value through profit or loss	**—**	14,808
Change in fair value of convertible bonds — embedded derivative component	**45,625**	—
Provision for legal claims	**14,071**	273,482
Loss on disposal of items of property, plant and equipment	**212**	—
Others	**6,472**	5,984
	990,405	1,127,606

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

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank and other loans (including convertible bonds)	**396,278**	355,300
Interest on discounted notes receivable	**37,284**	33,046
Interest on discounted letters of credit	**6,450**	9,434
Interest on lease liabilities	**1,491**	1,678
Interest on redemption liabilities	**30,252**	—
	471,755	399,458

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% (2021: 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 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 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 USA, the Group is subject to federal statutory tax at the rate of 21% (2021: 21%) of taxable income. No provision for income tax has been made as the Group did not generate any taxable income in the USA (2021: Nil) during the year.

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

Shandong Luye, Nanjing Luye, WPU and Sichuan Luye are qualified as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% (2021: 15%) during the year. Boan Biotech is qualified as a High and New Technology Enterprise during the year and was entitled to a preferential income tax rate of 15% in 2022 (2021: 25%).

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**102,776**	105,066
Overprovision in prior years	**(32,597)**	(897)
Deferred tax	**16,287**	(33,943)
Total tax charge for the year	**86,466**	70,226

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

	2022	2021
	RMB'000	*RMB'000*
Profit/(loss) before tax	**669,762**	(74,557)
At the PRC's statutory income tax rate of 25%	**167,441**	(18,639)
Effect of tax rate differences in other jurisdictions	**46,318**	66,133
Effect of preferential income tax rates applicable to subsidiaries	**(80,186)**	(45,328)
Additional deductible allowance for research and development expenses	**(124,907)**	(123,624)
Adjustments in respect of current tax of previous years	**(32,597)**	(897)
Effect of non-deductible expenses	**32,075**	92,787
Deemed income subject to tax	**1,132**	13,369
Income not subject to tax	**(41,180)**	(46,165)
Tax losses utilised from previous years	**(24,956)**	(4,074)
Tax losses not recognised	**142,658**	136,509
Effect of withholding tax at 10% on the interest expense of the Group's PRC subsidiaries to be paid	**668**	155
Tax charge at the Group's effective rate	**86,466**	70,226

The effective tax rate of the Group for the year was 12.9% (2021: –94.2%).

9. DIVIDENDS

No interim or final dividends were declared by the Company during the year ended 31 December 2022 (2021: Nil).

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,480,852,775 (2021: 3,445,431,364) 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.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2022 and 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 earnings/(loss) per share amounts presented.

11. TRADE AND NOTES RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**1,435,170**	1,518,185
Notes receivable	**351,843**	250,315
	1,787,013	1,768,500
Less: Impairment of trade receivables	**(3,327)**	(3,404)
	1,783,686	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 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 2022, notes receivable of RMB351,843,000 (2021: RMB250,315,000) 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 2022.

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**1,373,241**	1,008,416
3 to 6 months	**35,259**	57,993
6 to 12 months	**25,280**	449,895
1 to 2 years	**438**	697
Over 2 years	**952**	1,184
	1,435,170	1,518,185

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	*RMB'000*
Current		
Listed equity investments, at fair value	**441**	2,148
Unlisted equity investments, at fair value	**—**	930,000
Other unlisted investments, at fair value	**1,973,383**	1,752,050
	1,973,824	2,684,198
Non-current		
Unlisted equity investment, at fair value	**1,005,351**	478,263

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 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

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**417,814**	323,445
Notes payable	**142,130**	247,445
	559,944	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:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**496,382**	538,576
3 to 6 months	**42,465**	18,815
6 to 12 months	**13,903**	6,906
1 to 2 years	**2,860**	4,894
Over 2 years	**4,334**	1,699
	559,944	570,890

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 2022, the Group's notes payable were secured by certain of the Group's time deposits amounting to RMB122,287,000 (2021: RMB235,513,000).

14. INTEREST-BEARING LOANS AND BORROWINGS

31 December 2022

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank overdrafts — secured	—	On demand	155
Bank loans — secured	2.80–4.95	2023	2,973,910
Bank loan — secured US$10,234,739	4.50	2023	71,281
Bank loans — secured EUR39,097,003	0.6–3-month EURIBOR+0.8	2023	290,213
Current portion of long-term bank loans — secured	3.55–4.90	2023	418,591
Current portion of long-term bank loans — secured US$31,784,558	3-month LIBOR+2.85	2023	221,367
Discounted notes receivable	1.10–5.50	2023	1,025,061
Discounted letters of credit	1.89–5.24	2023	362,150
Lease liabilities	3.76	2023	15,254
			5,377,982
Non-current			
Bank loans — secured	3.55–4.90	2024–2029	984,610
Bank loans — secured US$180,467,473	3-month LIBOR+2.85	2025	1,256,884
Lease liabilities	3.76	2029	23,237
			2,264,731
Total interest-bearing loans and borrowings			7,642,713
Convertible bonds — debt component	6.50	2023	1,461,806
			9,104,519

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

	2022	2021
	RMB'000	*RMB'000*
Analysed into:		
Bank loans and other borrowings repayable:		
Within one year or on demand	**6,839,788**	5,263,216
In the second year	**304,222**	674,947
In the third to fifth years, inclusive	**1,959,826**	3,551,951
After five years	**683**	679
	9,104,519	9,490,793

Notes:

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

(i) the pledge of certain of the Group's time deposits of RMB604,661,000 (2021: RMB727,784,000);

(ii) the pledge of certain of the Group's notes receivable of RMB68,584,000 (2021: Nil);

(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 RMB390,749,000 (2021: RMB557,809,000);

(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 RMB4,313,000 (2021: RMB5,386,000); 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
Luye Life Sciences Group Ltd. ("Luye Life Sciences")	Controlled by the controlling shareholder
Yantai Painuo Biotech Co., Ltd. ("Yantai Painuo")	Controlled by the controlling shareholder
Shandong International Biotechnology Development Co., Ltd. ("Biotech Park Development")	Controlled by the controlling shareholder
Luye Investment Group Co., Ltd. ("LIG")	Controlled by the controlling shareholder
Yantai Yunyue Winery Management Co., Ltd. ("Yunyue Winery")	Controlled by the controlling shareholder
Yantai Cellzone Medical Diagnostics Center Co., Ltd. ("Yantai Cellzone")	Controlled by the controlling shareholder
Qingdao Luye Shanghe Pharmaceutical Technology Co., Ltd. ("Qingdao Luye")	Controlled by the controlling shareholder
Geneleap Biotech LLC (formerly known as Luye Boston Research & Development LLC) ("Luye Boston")*	Controlled by the controlling shareholder

* During the year, 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 (c) below and the periods of the transaction amounts with Luye Boston disclosed in note (a) only covered the periods when it was a related party.

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

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
Sales of products to:			
Steward Cross	*(i)*	**7,150**	6,110
Qingdao Luye	*(i)*	**3,469**	—
Provision of manufacturing service to:			
Yantai Painuo	*(ii)*	**1,908**	5,511
Lease buildings to:			
Yantai Painuo	*(ii)*	**5,148**	1,592
Lease buildings from:			
Biotech Park Development	*(ii)*	**1,263**	—
Provision of research and development services to:			
Yantai Painuo	*(ii)*	**2,902**	—
Research and development services from:			
Yantai Cellzone	*(ii)*	**2,328**	—
Biotech Park Development	*(ii)*	**2,830**	—
Provision of property management services to:			
Yantai Painuo	*(ii)*	**722**	—
Property management services from:			
Biotech Park Development	*(ii)*	**2,689**	—
Lease equipment to:			
Yantai Painuo	*(ii)*	**5,014**	—
Sales of materials to:			
Yantai Painuo	*(ii)*	**180**	294
Accommodation services from:			
Yunyue Winery	*(ii)*	**107**	370
Purchase of welfare goods from:			
LIG	*(ii)*	**196**	—
Payment on behalf by:			
Biotech Park Development		**7,822**	1,908
Luye Boston		**111**	2,431
Repayment to:			
Biotech Park Development		**5,806**	2,358
Luye Boston		**104**	2,400
Advances from:			
Luye Life Sciences	*(iii)*	**10,099**	—

Notes:

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

(ii) The transaction prices were determined on terms mutually agreed between the parties with reference to the actual cost and fees for similar transactions in the market.

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

(b) Outstanding balances with related parties:

	2022	2021
	RMB'000	*RMB'000*
Other receivables		
Yantai Painuo	**24,307**	5,522
Qingdao Luye	**3,164**	—
	27,471	5,522
Other payables		
Biotech Park Development*	**1,334**	222
Luye Life Sciences*	**10,099**	—
Yantai Cellzone	**1,164**	—
Luye Boston*	**—**	31
	12,597	253
Lease liabilities		
Biotech Park Development	**5,196**	5,620
Luye Boston	**—**	3,536
	5,196	9,156

* The balances were non-trade in nature.

Other outstanding balances with related parties were all trade in nature. The balances with related parties except for lease liabilities are unsecured, interest-free and have no fixed terms of repayment.

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

	2022	2021
	RMB'000	*RMB'000*
Short-term employee benefits	**29,239**	32,546
Pension scheme contributions	**1,083**	875
Equity-settled share award expense	**10,716**	15,281
Total compensation paid to key management personnel	**41,038**	48,702

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" or "mainland 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 2022, the Group's business was affected by the pandemic of coronavirus disease 2019 ("COVID-19") and global economic fluctuations but still maintained stability. The Group recorded an increase in revenue of 15.0% in the year 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 35 pipeline product candidates in the PRC and 13 pipeline product candidates in the U.S., Europe and Japan.

In December 2022, a subsidiary of the Company, namely Shandong Boan Biotechnology Co., Ltd. ("Boan Biotech"), completed its global offering and its shares were listed on the Stock Exchange on 30 December 2022. The Company believes the 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.

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 2022. The Group's portfolio of oncology products includes Lipusu, CMNa and Boyounuo. As far as the Company is aware, Lipusu is the first and only paclitaxel liposome product approved for sale globally as of 31 December 2022. CMNa is a Class I New Chemical Drug and the only China National Medical Products Administration ("NMPA") approved sensitiser for cancer radiotherapy in China. Boyounuo is an anti-VEGF humanized monoclonal antibody injection and a biosimilar to Avastin independently developed by the Company's subsidiary, namely 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 2022. The Group's key cardiovascular system products include Xuezhikang, Oukai and Maitongna. According to IQVIA, Xuezhikang was the most popular natural medicine for the treatment of hypercholesterolaemia in the year of 2022. Maitongna and Oukai were the vasoprotective pharmaceutical products with the fourth and seventh largest market share, respectively, in China in the year of 2022, respectively. IQVIA data showed that alimentary tract and metabolism-related pharmaceutical products constituted the second largest market for pharmaceutical products in the PRC in the year of 2022. According to IQVIA, the Group was the second largest domestic pharmaceutical manufacturer of oral diabetic medications in China in the year

of 2022. IQVIA data showed that CNS-related pharmaceutical products constituted the fifth largest market for pharmaceutical products in the PRC in the year of 2022. The Group's portfolio of CNS products includes Seroquel, Rykindo and Ruoxinlin. The Group's key product Seroquel was the product with eighth largest market share in schizophrenia therapeutic area and the largest quetiapine product in terms of sales in the PRC in the year of 2022. As far as the Company is aware, Rykindo was the only Risperidone Microspheres for Injection for sale in China as of 31 December 2022. Ruoxinlin was the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of Major Depressive Disorder ("MDD") developed by a local company in China.

For international markets, the Group's products are mainly positioned in CNS therapeutic area, including Seroquel, Seroquel XR, Rykindo, 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 2022, the Group's revenue from oncology therapeutic area increased by 63.1% to RMB2,305.8 million. Revenue from cardiovascular system therapeutic area increased by 7.6% to RMB1,535.7 million. Revenue from CNS therapeutic area decreased by 0.1% to RMB1,322.7 million. Revenue from alimentary tract and metabolism therapeutic area decreased by 29.6% to RMB632.4 million.

Key Products

The Company believes that the Group's 11 key products are competitively positioned globally for high prevalence medical conditions and their market positions are expected to grow or maintain at its current level.

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 2022, Lipusu was the first and only paclitaxel liposome product approved for sale globally. In January 2023, Lipusu successfully renewed its inclusion in category B of China's National Reimbursement Drug List ("NRDL") with its original payment standard. All indications of Lipusu, including non-small cell lungs cancer, ovarian and breast cancer, are reimbursed under the NRDL.

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 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. In February 2022, Boyounuo® obtained the NMPA approvals to extrapolate its indications to epithelial ovarian, fallopian tube or primary peritoneal cancer and cervical cancer. As of date of this announcement, Boyounuo® has been approved by the NMPA for the treatment of mCRC, advanced metastatic or recurrent NSCLC, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer and cervical cancer. In January 2023, two new indications of Boyounuo® were successfully included in the updated NRDL. As of the announcement date, Boyounuo® has been included in the updated NRDL for all five indications.

***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 2022. According to IQVIA, the market for lipid-regulating drugs in China was estimated to be approximately RMB10.4 billion in the year 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 year 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 RMB3.0 billion in the year of 2022. Maitongna was the best-selling domestically manufactured sodium aescinate product in China in the year of 2022 and ranked as the third most-used vasoprotective pharmaceutical product domestically manufactured in China in the year of 2022.

***Oukai*® (歐開®)**

As far as the Company is aware, Oukai is the only oral aescinate tablet in China to contain sodium salt and is widely used to treat soft tissue swelling and venous edema caused by various reasons. According to IQVIA, Oukai was ranked as the fifth most-used vasoprotective pharmaceutical product domestically manufactured in China in the year 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 year of 2022. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB1.4 billion in the year of 2022 and Bei Xi ranked as the third most popular oral diabetic medication domestically manufactured in China in the year of 2022.

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 MDD and generalised anxiety disorder. According to IQVIA, Seroquel was the eighth most-used product in schizophrenia therapeutic area and the most-used quetiapine product in the PRC in the year of 2022. In addition to China, Seroquel and Seroquel XR are also marketed by the Group in 50 other developed and emerging countries.

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.

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 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 31 December 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. In addition to China, Rykindo also received marketing approval from U.S. Food and Drug Administration (the "FDA") in January 2023, as a treatment for schizophrenia in adults and as monotherapy or as adjunctive therapy to lithium or valproate for the maintenance treatment of bipolar I disorder in adults.

Ruoxinlin*® *(若欣林®)

Ruoxinlin (Toludesvenlafaxine Hydrochloride Extended-Release Tablets), as a new chemical entity, was approved to the market by the NMPA for treating MDD in November 2022. As far as the Company is aware, it is the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of MDD developed by a local company in China. Ruoxinlin could comprehensively and stably improve depressive symptoms, including significantly reducing anxiety and retardation/fatigue, relieving anhedonia, improving cognition, and facilitating faster social recovery of patients. Further, the drug does not cause somnolence and has no significant impacts on sexual functioning, bodyweight, and lipid metabolism, demonstrating a favorable safety profile and good tolerability.

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 Antibody-drug Conjugate ("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 2022, the Group's R&D team consisted of 934 employees, including 81 Ph.D. degree holders and 459 master's degree holders in medical, pharmaceutical and other related areas. As at 31 December 2022, the Group had been granted 257 patents and had 81 pending patent applications in the PRC, as well as 486 patents and 180 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 2022, the Group had 35 PRC pipeline product candidates in various stages of development. These candidates included 15 oncology products, 13 CNS products and 7 other products. Also, the Group had 13 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

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.

In September 2022, the Group's new CNS drug LY03015 ("LY03015") has obtained the approval from the FDA to initiate clinical trials. LY03015 is an innovative small molecule compound product developed by the Group indicated for the treatment of tardive dyskinesia ("TD") and Huntington's disease ("HD"). As a new generation of vesicular monoamine transporter 2 inhibitor, LY03015 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. The results of preclinical studies indicate that LY03015 can reduce the risk of depression and suicide caused by off-target effects; it presents a favorable prolonged half-life and tissue

distribution characteristics, enabling it to achieve once-a-day oral administration and reduce the risk of cardiac QT interval prolongation compared to commercially available products. Its related research has been published in "European Journal of Medicinal Chemistry".

In November 2022, the pivotal study conducted in the U.S. in respect of the Group's new product candidate for the treatment of schizophrenia and schizoaffective disorders, Paliperidone Palmitate Extended-release Injectable Suspension ("LY03010"), for intramuscular use, has achieved the end points based on the completed data analysis. LY03010 will submit New Drug Application ("NDA") to the FDA through 505(b)(2) pathway. In February 2023, LY03010 has received the approval by the competent authorities to initiate the first clinical trial in Europe.

In January 2023, Rykindo® (risperidone for extended-release injectable suspension) (also known as, LY03004) has received marketing approval from FDA as a treatment for schizophrenia in adults and as monotherapy or as adjunctive therapy to lithium or valproate for the maintenance treatment of bipolar I disorder in adults. As far as the Company is aware, Rykindo® is the first FDA approved complex dosage form product developed by a pharmaceutical company in mainland China in accordance with 505(b)(2) of the Federal Food, Drug and Cosmetic Act. In addition to the U.S. market, Rykindo® was approved for marketing in China in 2021. The development of Rykindo® in Europe is also progressing well, with a plan to be marketed in the global market.

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 Centre for Drug Evaluation ("CDE") of the NMPA 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 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 June 2022, the preliminary results from a phase I clinical trial of Lurbinectedin as second-line therapy in Chinese patients with SCLC were presented at the 2022 annual meeting of the American Society of Clinical Oncology (ASCO) in the form of an academic poster. The main results of the study are as follows: 1) Lurbinectedin at the recommended dosage (3.2mg/m^2, intravenous injection within one hour, administered once every three weeks) showed promising efficacy as second-line therapy in Chinese patients with SCLC. It was confirmed by an independent review committee (IRC) that the overall response rate (ORR) was 45.5% in all the subjects and over 30% in those with resistant SCLC, and the median progression-free-survival (PFS) was 6.6 months. 2) Lurbinectedin demonstrated acceptable tolerability and a manageable safety profile. 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 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 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 June 2022, the results from a phase III clinical trial of LY03005 were presented at the 2022 annual meeting of the American Psychiatric Association ("APA"). In November 2022, LY03005 has been approved by NMPA for treating MDD. As far as the Company is aware, the product is the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of MDD developed by a local company in China. The launch of this product is a breakthrough for innovative drugs developed locally in China in this field.

In April 2022, the marketing authorization application for the CNS 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 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 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 November 2022, the first patient has been dosed in a phase II clinical study for LY03014 in China.

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.

In December 2022, the marketing application of Paliperidone Palmitate Injection ("LY03010") has been accepted by CDE in China for the acute and maintenance treatment of schizophrenia. LY03010 is a long-acting paliperidone injection, with a monthly dosing regimen. Paliperidone is a second-generation antipsychotic that relieves psychotic positive symptoms while improving cognitive and emotional symptoms and is the first-line treatment for schizophrenia. Paliperidone is available in both oral and long-acting injection formulation. Compared with oral formulation, long-acting injections have the characteristics of less frequent administration and long-term stable effective plasma concentration, thereby improving patient compliance, significantly reducing the risk of recurrence in long-term treatment, and improving patients' long-term benefits.

In January 2023, the long-acting 3-month dosing form of Goserelin Acetate Extended-release Microspheres for Injection ("LY01022"), an innovative anti-tumor formulation developed by the Group, has obtained the approval from the CDE to initiate clinical trials. Compared with formulations administered monthly, LY01022 prolongs the dosing cycle and reduces the frequency of injections, which can further improve the patient's compliance.

For Boan Biotech:

In February 2022, two new indications of Boyounuo® (Bevacizumab injection) developed by Boan Biotech has been approved by NMPA for the treatment of epithelial ovarian, fallopian tube or primary peritoneal cancer, and cervical cancer.

In July 2022, the dulaglutide injection ("BA5101") developed by Boan Biotech 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.

In September 2022, BA1106, an innovative antibody developed by Boan Biotech, has obtained the approval from the CDE to initiate clinical trials. BA1106 is the first investigational anti-CD25 antibody to start clinical trials in China for treating solid tumors. Anti-CD25 antibodies are broad-spectrum immuno-oncology drugs with the potential to treat multiple cancers where CD25 is highly expressed, including cervical cancer, renal cancer, ovarian cancer, melanoma, pancreatic cancers, hepatocellular carcinoma, gastric cancer, and breast cancer. BA1106 therefore has great potential for treating those cancers. However, developing anti-CD25 antibodies faces two major challenges: first, the function of Fc as a mediator is limited, and as a result, they only work in early-stage tumor models, not in late-stage tumor models; second, the IL-2 signaling pathway is blocked, leading to poor antitumor outcomes. BA1106 is a drug candidate that can successfully overcome these two challenges.

In October 2022, the BA2101 injection, a long-acting monoclonal antibody developed by Boan Biotech, has obtained the approval from CDE to initiate clinical trials. BA2101 injection is an innovative, long-acting human monoclonal antibody in IgG4 subtype that targets interleukin-4 receptor subunit α (IL-4R α). BA2101 injection will be administered subcutaneously with an expected dosing interval of 4 weeks. BA2101 injection can inhibit IL-4 and IL-13 signaling, regulate Th2 inflammatory pathway, reduce eosinophils and circulating IgE level, and treat allergic diseases caused by type 2 inflammation. It is expected to be used to treat atopic dermatitis, asthma, chronic rhinosinusitis with nasal polyposis, prurigo nodularis, and chronic spontaneous urticarial.

In November 2022, the marketing authorization in relation to Denosumab Injection (Boyoubei®, BA6101) developed by Boan Biotech has been approved by NMPA for the treatment of postmenopausal women with osteoporosis at high risk for fracture. This product can significantly reduce the risk of vertebral, non-vertebral and hip fractures in postmenopausal women. Boyoubei® is the first biosimilar to Prolia® (the originator of denosumab) approved for marketing in the world. In addition to China, Boyoubei® is being developed in Europe and the U.S., with a plan to be marketed in the global markets.

In January 2023, BA1301 for injection, an ADC candidate developed by Boan Biotech, has obtained the approval from CDE to initiate clinical trials for the treatment of advanced solid tumors with Claudin 18.2 expression. BA1301 for injection is Boan Biotech's first novel ADC candidate that targets Claudin 18.2. It employs a site-specific conjugation technology to connect the cytotoxic payload with a monoclonal antibody that targets Claudin 18.2. This enables the cytotoxic payload to be directed to the tumor site through the targeting characteristics of the antibody. Such design reduces the toxic side effects of the cytotoxic payload, thus improving the therapeutic window, while retaining its tumor-killing effect.

In March 2023, Aflibercept Intravitreous Injection ("BA9101") developed by Boan Biotech has completed the patient enrollment for its phase 3 clinical study (a comparative clinical study of efficacy and safety) in China. Pursuant to a collaboration and exclusive promotion agreement entered in October

2020, Boan Biotech has partnered with Ocumension Therapeutics, a company listed on the Stock Exchange (stock code: 1477), in conducting the phase 3 clinical study of BA9101 and has granted Ocumension Therapeutics an exclusive right to promote and commercialize BA9101 in mainland China.

In March 2023, the denosumab monoclonal antibody injection ("BA1102") developed by Boan Biotech has been accepted by CDE. BA1102 is a biosimilar of XGEVA. Its active ingredient is denosumab, a fully human IgG2 anti-RANKL monoclonal antibody. Denosumab binds to RANKL and it inhibits the activation of OPG/RANKL/RANK signaling pathways, and thus inhibits tumor growth and reduces bone destruction. BA1102 is indicated for the treatment of patients with bone metastases from solid tumors and patients with multiple myeloma, to delay or reduce the risk of skeletal-related events (e.g. pathologic fractures, spinal cord compression, bone radiotherapy or bone surgery). The drug is also indicated for the treatment of adults and skeletally mature adolescents (defined as having at least one mature long bone and with body weight of 45 kg or above) with giant cell tumor of bone that is unresectable or where surgical resection is likely to result in severe morbidiy.

Sales, Marketing and Business Collaborations

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, Latin America, Gulf Cooperation Council 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.

In September 2022, the Group has entered a distribution and marketing partnership with ICI Pakistan Limited, a leading manufacturing and trading company based in Pakistan. The Group has granted ICI Pakistan Limited exclusive distribution and marketing rights for Seroquel® in Pakistan.

For China market:

The Group has established an extensive nationwide sales and distribution network and sold its products to 31 provinces, autonomous regions and municipalities throughout the PRC in the year of 2022. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,780 distributors that collectively enabled the Group to sell its products to over 20,150 hospitals, which comprised approximately 2,250 or approximately 88.0% of all Class III hospitals, approximately 5,800 or approximately 66.0% of all Class II hospitals and approximately 12,100 or approximately 59.0% of all Class I and other hospitals and medical institutions, in the PRC in the year 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 January 2023, the Group launched the Named Patient Program ("NPP") in Hong Kong, China, providing eligible local patients immediate access to the innovative anti-cancer therapy Lurbinectedin. The Group has signed an agreement with Abacus Medicine Pharma Services ("AMPS"), an international healthcare and pharmaceutical services company, the terms of which grant AMPS exclusive distribution rights of the drug for the NPP in Hong Kong.

In January 2023, Boan Biotech signed an agreement with CP Pharmaceutical Qingdao Co., Ltd. ("CP Qingdao"), to grant the latter the exclusive right to commercialize Denosumab Injection (Boyoubei®) in mainland China.

Manufacturing

For the year ended 31 December 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 BA6101 has successfully passed the inspection by NMPA. The manufacturing site for transdermal patches in Miesbach, Germany, maintained full capacity and increased output significantly to address 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 Twice Weekly a proprietary and innovative formulation has reached marketing stage in several countries in Europe, complementing the product portfolio of the Miesbach site.

Industry Policy Risk

Volume-based Procurement ("VBP")

In the past four 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 following four rounds 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%. In 2021, exclusive products successfully included in the NRDL by the negotiation had an average price cut of 61.7%. In January 2023, Lipusu successfully renewed its inclusion in category B of China's NRDL with its original payment standard. All indications of Lipusu, including non-small cell lungs cancer, ovarian and breast cancer, are reimbursed under the NRDL. In addition, two new indications of Boyounuo® were successfully included in the updated NRDL. As of the date of this announcement, Boyounuo® has been included in the updated NRDL for all five indications.

2023 Outlook

The past few years have been difficult years for the pharmaceutical industry. 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. The Group's key product Lipusu experienced the impact of price reduction by inclusion of NRDL in 2021. Therefore, 2021 was the year with the greatest impact on revenue for the Group. In 2022, the lockdown policy and the outbreak of the pandemic at the end of the year have had a huge impact on the entire consumer market. 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 an increase in revenue of

15.0% to RMB5,981.7 million. The Group also had many breakthrough achievements in R&D progress in 2022. The Group anticipate that 2023 will be a harvest and transformative year with revenue growth of commercialized new products and the launch of a number of new products.

Existing products are expected to have stable growth and new products approved in the past two years are expected to ramp up rapidly

For oncology therapeutic area, the Group has exclusive products Lipusu and CMNa and broad-spectrum anti-tumor product Boyounuo. In January 2023, Lipusu, being the Group's paclitaxel formulation with innovative liposome delivery system, successfully renewed its inclusion in category B of NRDL with its original payment standard. All indications of Lipusu, including non-small cell lungs cancer, ovarian and breast cancer, are reimbursed under the NRDL. This renewal will ensure that Lipusu can continue to benefit more patients, increase the penetration rate of the product for the related indications, and provide momentum to its long-term growth. Also in January 2023, two new indications of Boyounuo were successfully included in the updated NRDL. As of the date of this announcement, Boyounuo has been included in the updated NRDL for all five indications.

For cardiovascular therapeutic area, the Group has exclusive product Xuezhikang and Oukai. Xuezhikang is a proprietary natural medicine derived from red yeast rice indicated for hypercholesterolaemia. Since 2019 that the Group granted the promotion right of Xuezhikang to AstraZeneca in mainland China, Xuezhikang has continued to maintain rapid growth and became another blockbuster product of the Group with sales of more than RMB1,000 million in 2021. It is expected that Xuezhikang will maintain double-digit growth in the next few years. Oukai, as the only oral aescinate tablet in China to contain sodium salt, is widely used to treat soft tissue swelling and venous edema caused by various reasons. Oukai has maintained rapid growth in the past years. It has become another important product in the Group's cardiovascular therapeutic area. The Group will continue to explore the use scenarios and departments of this product to expand the market potential of this product.

For CNS therapeutic area, the Group has mature products Seroquel, Seroquel XR, Rivastigmine Transdermal Patches. These mature products have expanded the Group's extensive customer resources and partnerships in this therapeutic area. In past two years, we have three innovative CNS products Rykindo, Rivastigmine MD and Ruoxinlin launched in different markets. The launch of new products in CNS therapeutic area will drive our sales growth in this area.

In January 2021, the marketing registration of 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 microsphere 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. The 2021 NRDL has come into effect in January 2022.

In January 2023, Rykindo has received marketing approval from FDA as a treatment for schizophrenia in adults and as monotherapy or as adjunctive therapy to lithium or valproate for the maintenance treatment of bipolar I disorder in adults. As far as the Company is aware, Rykindo is the first FDA approved complex dosage form product developed by a pharmaceutical company in mainland China in accordance with 505(b)(2) of the Federal Food, Drug and Cosmetic Act. The development of Rykindo in Europe is also progressing well, with a plan to be marketed in the global market.

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 United Kingdom.

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

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

Rivastigmine MD requires lower frequency of application than the Rivastigmine once-daily patches generally available in the market, enabling it to improve patients' medication adherence. Due to its transdermal route of administration, Rivastigmine MD is convenient for patients who have difficulty in

swallowing, and it might have the potential to lower the incidence of gastrointestinal adverse reactions such as nausea and vomiting compared with the oral form. The Group has filed, and has been issued, a portfolio of international patents protecting Rivastigmine MD.

In November 2022, Ruoxinlin has been approved by NMPA for treating MDD. As far as the Company is aware, the product is the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of MDD developed by a local company in China. The launch of this product is a breakthrough for innovative drugs developed locally in China in this field.

Ruoxinlin is a new chemical entity. The results of the mechanism of action ("MOA") for Ruoxinlin were published in Frontiers in Pharmacology. The results of phase II clinical trial were published in the International Journal of Neuropsychopharmacology and released at the 19th National Psychiatry Conference of the Chinese Medical Association. The results of phase III clinical trial were presented in the 2022 annual meeting of the APA. A pre-clinical study on MOA of Ruoxinlin® shows that it is a serotonin (5-HT)-norepinephrine (NE)-dopamine (DA) reuptake inhibitor ("SNDRI"). Neurotransmitters 5-HT, NE, and DA are closely associated with MDD. Compared with existing selective 5-HT reuptake inhibitors and 5-HT/NE reuptake inhibitors ("SNRIs"), SNDRI increases the intervention of DA, which promises a greater synergy between the therapeutic agents and a more comprehensive improvement in different dimensions of MDD symptoms of depressed patients. It can also alleviate the side effects caused by the decrease in DA as a result of increased 5-HT levels.

The approval of Ruoxinlin is based on six clinical studies conducted in China. Such clinical studies show that Ruoxinlin is able to comprehensively and stably improve depressive symptoms, including significantly reducing anxiety and retardation/fatigue, relieving anhedonia, improving cognition, and facilitating faster social recovery of patients. Further, the drug does not cause somnolence and has no significant impacts on sexual functioning, bodyweight, and lipid metabolism, demonstrating a favorable safety profile and good tolerability.

For other therapeutic areas, the Group also has a new product Boyoubei launched in November 2022. Boyoubei was approved for the treatment of postmenopausal women with osteoporosis at high risk for fracture. This product can significantly reduce the risk of vertebral, non-vertebral and hip fractures in postmenopausal women. As far as the Company is aware, Boyoubei is the first biosimilar to Prolia approved for marketing in the world. In January 2023, Boan Biotech have granted CP Qingdao the exclusive right to commercialize Boyoubei in mainland China. CP Qingdao has been focusing on osteoporosis therapeutic field for many years with multiple products. Their core product in this field has a leading position in the market of mainland China. Boyoubei may form a competitive product portfolio with their current products in this field to achieve greater synergies. Leveraging CP Qingdao's professional marketing and sales team and extensive distribution network in this field will accelerate the commercialization of Boyoubei to meet the urgent clinical needs of Chinese patients. In addition to China market, Boyoubei is being developed in Europe and the U.S., with a plan to be marketed in the global markets.

Developing pipeline products are expected to launch in the near future

In addition to the products launched in 2021 and 2022, the Group has eight pipeline products under NDA review in different markets as of announcement date. There are five products LY01005, LY03013, LY021702, LY03010 and BA1102 under NDA review in mainland China. LY01017 is under NDA review in Hong Kong, LY30990 is under NDA review in Europe and LY03005 is under NDA review in the U.S.. These eight products are expected to be approved in the near future. The Group also have seven pipeline products (i.e. LY01017, LY03003, LY03010, LY30410, LY021701, BA5101 and BA9101) under phase III clinical trials, pivotal studies or NDA/BLA preparing stage.

In December 2022, a subsidiary of the Company, namely Boan Biotech, completed its global offering and its shares were listed on the Stock Exchange on 30 December 2022. The Company believes the 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.

As a conclusion, 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 many challenges to the daily operation of the industry in the past few years. Facing these challenges, the Group will strategically continue improve the management efficiency, expand sales teams in core therapeutic areas and pay 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 2022, the Group's revenue amounted to approximately RMB5,981.7 million, as compared to RMB5,200.2 million for the year ended 31 December 2021, representing an increase of approximately RMB781.5 million, or 15.0%. The increase was mainly attributable to an increase of sales from certain products as further elaborated below.

For the year ended 31 December 2022, the Group's revenue from sales of oncology products increased to RMB2,305.8 million, as compared to RMB1,414,1 million for the year ended 31 December 2021, representing an increase of approximately RMB891.7 million, or 63.1%, primarily attributable to the increase in sales of various oncology products and license out of oncology products of the Group.

For the year ended 31 December 2022, revenue from sales of cardiovascular system products increased to RMB1,535.7 million, as compared to RMB1,427.3 million for the year ended 31 December 2021, representing an increase of approximately RMB108.4 million, or 7.6%, primarily attributable to the increase in sales of various cardiovascular system products of the Group.

For the year ended 31 December 2022, revenue from sales of alimentary tract and metabolism products decreased to RMB632.4 million, as compared to RMB898.5 million for the year ended 31 December 2021, representing a decrease of approximately RMB266.1 million, or 29.6%, primarily attributable to the decrease in sales of various other alimentary tract and metabolism products of the Group.

For the year ended 31 December 2022, revenue from CNS products decreased to RMB1,322.7 million, as compared to RMB1,323.8 million for the year ended 31 December 2021, representing a decrease of approximately RMB1.1 million or 0.1%.

For the year ended 31 December 2022, revenue from sales of other products increased to RMB185.0 million, as compared to RMB136.6 million for the year ended 31 December 2021, representing an increase of approximately RMB48.4 million, or 35.4%, primarily attributable to the increase in sales of various other products of the Group.

Cost of Sales

The Group's cost of sales increased from RMB1,803.5 million for the year ended 31 December 2021 to approximately RMB1,841.1 million for the year ended 31 December 2022, which accounted for approximately 30.8% of the Group's total revenue for the same year. The Group's decrease in cost of sales margin was mainly attributable to the higher sales of lower cost products for the year ended 31 December 2022, as compared to year 2021.

Gross Profit

For the year ended 31 December 2022, the Group's gross profit increased to RMB4,140.5 million, as compared to RMB3,396.7 million for the year ended 31 December 2021, representing an increase of approximately RMB743.8 million, or 21.9%. The gross profit margin of 69.2%, increased from 65.3% for the year ended 31 December 2021, mainly due to higher sales of higher margin products of the Group for the year ended 31 December 2022, as compared to year 2021.

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 2022, the Group's other income and gains increased to RMB393.1 million, as compared to RMB330.7 million for the year ended 31 December 2021, representing an increase of approximately RMB62.4 million, or 18.9%. The increase was mainly attributable to higher foreign exchange gain recognized 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 2022, the Group's selling and distribution expenses amounted to RMB1,819.7 million, as compared to RMB1,704.8 million for the year ended 31 December 2021, representing an increase of RMB114.9

million, or 6.7%. The increase was mainly attributable to higher staff cost and promotion expenses. On the other hand, as a percentage of revenue, the Group's selling and distribution expenses decreased to 30.4% as compared to 32.8% for the year ended 31 December 2021.

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 2022, the Group's administrative expenses amounted to approximately RMB582.9 million, as compared to RMB570.8 million for the year ended 31 December 2021, representing an increase of approximately RMB12.1 million, or 2.1%. The slight increase was mainly due to the listing expenses incurred for the global offering of Boan Biotech during the year.

Other Expenses

The Group's other expenses primarily consisted of R&D costs, donations, loss on disposals of property, plant and equipment and miscellaneous expenses. For the year ended 31 December 2022, the Group's other expenses amounted to approximately RMB990.4 million, as compared to RMB1,127.6 million for the year ended 31 December 2021, representing a decrease of approximately RMB137.2 million, or 12.2%. The decrease was mainly due to a substantially smaller amount of provision made during the year which represented claim amount interests related to the prior year legal claim, as compared to the one-off provision made during the year ended 31 December 2021.

Finance Costs

For the year ended 31 December 2022, the Group's finance costs amounted to RMB471.8 million, as compared to RMB399.5 million for the year ended 31 December 2021, representing an increase of approximately RMB72.3 million, or 18.1%. The increase was mainly due to the higher interest on bank for the year ended 31 December 2022 as compared to the corresponding year ended 31 December 2021.

Income Tax Expense

For the year ended 31 December 2022, the Group's income tax expense amounted to RMB86.5 million, as compared to RMB70.2 million for the year ended 31 December 2021, representing an increase of RMB16.3 million, or 23.2%. The effective tax rate for the year ended 31 December 2022 is 12.9% as compared to –94.2% for the year ended 31 December 2021.

Net Profit

The Group's net profit for the year ended 31 December 2022 was approximately RMB583.3 million, as compared to a net loss of RMB144.8 million for the year ended 31 December 2021, representing an increase of approximately RMB728.1 million, or 502.8%. 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, fair value change of convertible bonds and provision for legal claim) increased by RMB607.3 million or 44.8% to RMB1,962.6 million as compared to the year ended 31 December 2021. The Group's normalised net profit increased by RMB435.1 million or 100.0% to RMB870.1 million as compared to the year ended 31 December 2021. Normalised profit attributable to shareholders increased by RMB447.0 million or 101.8% to RMB886.0 million as compared to the year ended 31 December 2021. 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, fair value change of convertible bonds and provision for legal claim.

To supplement our financial information presented in accordance with 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 2022, the Group had net current assets of approximately RMB1,298.6 million, as compared to approximately RMB3,066.5 million as at 31 December 2021. The current ratio of the Group decreased slightly to approximately 1.14 as at 31 December 2022 from approximately 1.42 as at 31 December 2021. The decrease in net current assets was mainly attributable to higher loans and borrowings under the Group's current liabilities.

Borrowings and Pledge of Assets

As at 31 December 2022, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB7,642.7 million, as compared to approximately RMB7,620.1 million as at 31 December 2021. Amongst the loans and borrowings, approximately RMB5,378.0 million are repayable within one year, and approximately RMB2,264.7 million are repayable after one year. RMB4,351.8 million of the loans and borrowings of the Group carried interest at fixed interest rate. As at 31 December 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, HK$ and U.S. dollars.

Gearing Ratio

As at 31 December 2022, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to 69.2% from 83.6% as at 31 December 2021. The decrease was primarily due to slightly higher total equity 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 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.

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, which were listed on the Stock Exchange (Stock Code: 5993) (the "2019 Convertible Bonds"). The bonds are convertible at the option of the bondholders into ordinary shares of the Company 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.

On 27 May 2022, 2019 Convertible Bonds with an aggregate principal amount of US$8,389,000 were converted into 8,298,419 ordinary shares of the Company at a conversion price of HK$7.90 per share. On 9 July 2022, 2019 Convertible Bonds with an aggregate principal amount of US$291,611,000 were redeemed at 107.07 per cent. of their principal amount. Following the completion of the redemption, no such convertible bonds were outstanding and the delisting of such bonds has taken place in July 2022.

The Company issued unlisted convertible bonds to an independent third party subscriber, New Leaf Biotech Holding Limited, at an interest rate of 6.50 per cent with an initial conversion price of HK$3.50 per share (i) in the principal amount of Hong Kong dollars equivalent of RMB1,200 million on 16 August 2022 (the "August 2022 Convertible Bonds"); and (ii) the principal amount of Hong Kong dollars equivalent of RMB300 million on 13 September 2022 (the "September 2022 Convertible Bonds", together with the August 2022 Convertible Bonds, the "2022 Convertible Bonds"). The maturity date of the August 2022 Convertible Bonds is 360 days after the first payment date and the maturity date of the September 2022 Convertible Bonds is 24 July 2023.

The 2022 Convertible Bonds comprise two components:

(a) Debt component was initially measured at fair value. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) Derivative component contains conversion options (not closely related to the debt component), which was measured at fair value with changes in fair value recognised in profit or loss.

The fair value of the debt component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option.

The total transaction costs that are related to the issue of the 2022 Convertible Bonds were allocated to the debt and derivative component in proportion to their respective fair values.

Hedging Activities

As at 31 December 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 22 February 2023, the Company has placed a total of 212,000,000 new shares (representing approximately 5.64% of its total issued shares (as enlarged by the allotment and issue of the placing shares) at the placing price of HK$3.78 per placing share to no less than six placees. For details of the placing, please refer to the Company's announcements dated 15 February 2023 and 22 February 2023.

FINAL DIVIDEND

No dividends were declared for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF SHAREHOLDERS

The Company's annual general meeting will be held on Thursday, 25 May 2023. For determining the entitlement to attend and vote at the annual general meeting, the register of shareholders of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, 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 registrar, 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 Friday, 19 May 2023.

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 2022 and up to the date of this announcement, the Company has complied with all the applicable code provisions set out in the CG Code, except for the following deviation:

Code provision A.2.1 of the CG Code

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code For the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 27 May 2022, US$8,389,000 in the principal amount of the 2019 Convertible Bonds were converted into 8,298,419 ordinary shares of the Company at a conversion price of HK$7.90 per share. On 9 July 2022, the Company has redeemed the 2019 Convertible Bonds (Stock Code: 5993) in respect of US$291,611,000 in the principal amount of such bonds at 107.07 per cent. of their principal amount. Following such redemption, there are no outstanding 2019 Convertible Bonds in issue and the 2019 Convertible Bonds were delisted on 21 July 2022.

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 year ended 31 December 2022.

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 2022. The audit committee also approved the annual results and the consolidated financial statements for the year ended 31 December 2022 and submitted them to the Board for approval.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2022 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 2022 annual report containing all the information about the Company set out in this announcement including the financial results for the year ended 31 December 2022 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, 29 March 2023

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.