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 2023

FINANCIAL HIGHLIGHTS

- Revenue increased by RMB161.4 million or 2.7% to RMB6,143.1 million, as compared to the year ended 31 December 2022.
- EBITDA increased by RMB264.6 million or 14.6% to RMB2,077.4 million, as compared to the year ended 31 December 2022.
- Gross profit increased by RMB63.7 million or 1.5% to RMB4,204.2 million, as compared to the year ended 31 December 2022, and gross profit margin was 68.4%.
- Profit before tax increased by RMB30.3 million or 4.5% to RMB700.1 million, as compared to the year ended 31 December 2022.
- Net profit amounted to RMB539.1 million, representing a decrease of RMB44.2 million, as compared to the year ended 31 December 2022.
- Profit attributable to shareholders amounted to RMB532.6 million, representing a decrease of RMB72.2 million, as compared to the year ended 31 December 2022.
- Earnings per share was RMB14.29 cents compared to RMB17.38 cents for the year ended 31 December 2022.
- No dividend was proposed by the Board for the year ended 31 December 2023.

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 2023, together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
REVENUE	*5*	**6,143,078**	5,981,656
Cost of sales		**(1,938,903)**	(1,841,140)
Gross profit		**4,204,175**	4,140,516
Other income and gains	*5*	**501,837**	393,136
Selling and distribution expenses		**(2,056,167)**	(1,819,691)
Administrative expenses		**(643,967)**	(582,870)
Other expenses	*6*	**(631,118)**	(990,405)
Finance costs	*7*	**(675,454)**	(471,755)
Share of profit of an associate		**794**	831
PROFIT BEFORE TAX	*6*	**700,100**	669,762
Income tax expense	*8*	**(161,023)**	(86,466)
PROFIT FOR THE YEAR		**539,077**	583,296
Attributable to:			
Owners of the parent		**532,605**	604,807
Non-controlling interests		**6,472**	(21,511)
		539,077	583,296
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*10*	**14.29 cents**	17.38 cents
Diluted (RMB)	*10*	**14.29 cents**	17.38 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**539,077**	583,296
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	**43,852**	(8,655)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**43,852**	(8,655)
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	**(10,875)**	(3,264)
Income tax effect	**146**	346
	(10,729)	(2,918)
Remeasurement on defined benefit plan	**(3,158)**	5,755
Income tax effect	**546**	(557)
	(2,612)	5,198
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(13,341)**	2,280
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**30,511**	(6,375)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**569,588**	576,921
Attributable to:		
Owners of the parent	**563,050**	598,432
Non-controlling interests	**6,538**	(21,511)
	569,588	576,921

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**31 December 2023** ***RMB'000***	31 December 2022 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,751,937**	4,255,990
Right-of-use assets		**336,568**	333,307
Goodwill		**1,041,930**	1,003,371
Other intangible assets		**6,317,880**	5,984,684
Investments in associates		**1,388,197**	7,781
Equity investments designated at fair value through other comprehensive income		**91,976**	100,952
Prepayments, other receivables and other assets		**66,459**	328,429
Financial assets at fair value through profit or loss	*12*	**488,261**	1,005,351
Pledged deposits		**159,640**	330,000
Deferred tax assets		**144,585**	113,947
Total non-current assets		**14,787,433**	13,463,812
CURRENT ASSETS			
Inventories		**827,863**	772,939
Trade and notes receivables	*11*	**2,354,899**	1,783,686
Prepayments, other receivables and other assets		**429,589**	1,033,093
Financial assets at fair value through profit or loss	*12*	**1,595,767**	1,973,824
Restricted cash		**—**	32,003
Pledged deposits		**984,496**	1,619,828
Time deposits with original maturity of over three months		**1,271,695**	1,246,700
Cash and cash equivalents		**3,238,973**	2,323,740
Total current assets		**10,703,282**	10,785,813

	Notes	**31 December 2023** ***RMB'000***	31 December 2022 *RMB'000*
CURRENT LIABILITIES			
Trade and notes payables	*13*	**767,187**	559,944
Other payables and accruals		**1,951,568**	1,840,118
Interest-bearing loans and borrowings	*14*	**5,195,754**	5,377,982
Convertible bonds — debt component		**—**	1,461,806
Convertible bonds — embedded derivative instrument		**—**	87,705
Government grants		**22,965**	26,449
Tax payable		**200,333**	133,199
Total current liabilities		**8,137,807**	9,487,203
NET CURRENT ASSETS		**2,565,475**	1,298,610
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,352,908**	14,762,422
NON-CURRENT LIABILITIES			
Convertible bonds		**937,875**	—
Interest-bearing loans and borrowings	*14*	**2,290,318**	2,264,731
Government grants		**103,579**	174,965
Employee defined benefit obligation		**4,100**	2,015
Deferred tax liabilities		**47,257**	56,034
Other non-current liabilities		**441,285**	1,222,955
Total non-current liabilities		**3,824,414**	3,720,700
Net assets		**13,528,494**	11,041,722

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**486,107**	456,953
Treasury shares	**—**	(279,558)
Share premium	**4,159,320**	3,076,828
Equity component of convertible bonds	**386,362**	—
Reserves	**7,499,396**	6,921,731
	12,531,185	10,175,954
Non-controlling interests	**997,309**	865,768
Total equity	**13,528,494**	11,041,722

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

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 and convertible bonds — embedded derivative instrument, 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 Group for the year ended 31 December 2023. 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 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

Impact on the consolidated statement of financial position:

		Increase/(decrease)	
	As at 31 December 2023	As at 31 December 2022	As at 1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Liabilities			
Deferred tax liabilities *(Note)*	**1,233**	—	—
Total non-current liabilities	**1,233**	—	—
Total liabilities	**1,233**	—	—
Net assets	**(1,233)**	—	—
Equity			
Retained profits (included in reserves)	**(1,233)**	—	—
Equity attributable to owners of the parent	**(1,233)**	—	—
Total equity	**(1,233)**	—	—

Note: The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the consolidated statement of profit or loss:

	Increase/(decrease) For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Income tax expense	**1,233**	—
Profit for the year	**(1,233)**	—
Attributable to:		
Owners of the parent	**(1,233)**	—
Total comprehensive income for the year	**(1,233)**	—
Attributable to:		
Owners of the parent	**(1,233)**	—

The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments and the mandatory temporary exception retrospectively. Further disclosures are included in note 8 to the financial statements.

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 2023

	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	**1,917,536**	**1,687,359**	**449,234**	**1,393,961**	**179,262**	**5,627,352**
Sale of product know-how	**—**	**—**	**—**	**200,000**	**—**	**200,000**
Provision of research and development services	**69,719**	**—**	**1,186**	**1,612**	**9,033**	**81,550**
Out-licensing agreements	**135,125**	**—**	**—**	**99,051**	**—**	**234,176**
Total revenue	**2,122,380**	**1,687,359**	**450,420**	**1,694,624**	**188,295**	**6,143,078**
Segment results	**867,461**	**558,908**	**119,606**	**596,350**	**5,683**	**2,148,008**
Other income and gains						**501,837**
Administrative expenses						**(643,967)**
Other expenses						**(631,118)**
Finance costs						**(675,454)**
Share of profit of an associate						**794**
Profit before tax						**700,100**

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

5 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Revenue from contracts with customers	**6,143,078**	5,981,656

Revenue from contracts with customers

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

For the year ended 31 December 2023

	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	**1,917,536**	**1,687,359**	**449,234**	**1,393,961**	**179,262**	**5,627,352**
Sale of product know-how	**—**	**—**	**—**	**200,000**	**—**	**200,000**
Provision of research and development services	**69,719**	**—**	**1,186**	**1,612**	**9,033**	**81,550**
Out-licensing agreements	**135,125**	**—**	**—**	**99,051**	**—**	**234,176**
Total revenue from contracts with customers	**2,122,380**	**1,687,359**	**450,420**	**1,694,624**	**188,295**	**6,143,078**
Geographical markets						
Chinese Mainland	**2,122,380**	**1,676,404**	**446,418**	**605,612**	**178,790**	**5,029,604**
Asia (other than Chinese Mainland)	**—**	**10,955**	**30**	**435,740**	**—**	**446,725**
European Union	**—**	**—**	**3,972**	**445,937**	**66**	**449,975**
Other countries	**—**	**—**	**—**	**207,335**	**9,439**	**216,774**
Total revenue from contracts with customers	**2,122,380**	**1,687,359**	**450,420**	**1,694,624**	**188,295**	**6,143,078**
Timing of revenue recognition						
Transferred at a point in time	**2,052,661**	**1,687,359**	**449,234**	**1,693,012**	**179,262**	**6,061,528**
Transferred over time	**69,719**	**—**	**1,186**	**1,612**	**9,033**	**81,550**
Total revenue from contracts with customers	**2,122,380**	**1,687,359**	**450,420**	**1,694,624**	**188,295**	**6,143,078**

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						
Chinese Mainland	2,305,841	1,523,922	627,240	396,662	177,499	5,031,164
Asia (other than Chinese Mainland)	—	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

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:

	2023 ***RMB'000***	2022 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**102,558**	39,640
Provision of research and development services	**943**	—
Total	**103,501**	39,640

(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 due within three months.

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:

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**133,584**	46,376
After one year	**68,640**	209,475
Total	**202,224**	255,851

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.

	2023	2022
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**117,137**	88,673
Government grants	**137,335**	87,331
Investment income from financial assets at fair value through profit or loss	**92,828**	87,430
Changes in fair value of financial assets at fair value through profit or loss	**1,938**	1,548
Foreign exchange gains, net	**46,028**	106,198
Changes in fair value of convertible bonds — embedded derivative component	**87,705**	—
Lease and property management service income	**6,372**	12,259
Gain on a finance lease as a sublease lessor	**7,476**	—
Gain on disposal of items of property, plant and equipment and right-of-use assets	**1,500**	—
Gain on lease modifications	**633**	211
Others	**2,885**	9,486
Total other income and gains	**501,837**	393,136

6 PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**1,866,830**	1,762,326
Cost of services provided	**72,073**	78,814
Depreciation of items of property, plant and equipment	**349,948**	340,226
Depreciation of right-of-use assets	**28,259**	26,988
Amortisation of other intangible assets*	**323,644**	304,099
Write-off of other intangible assets	**—**	11,468
Write-down of inventories to net realisable value**	**(4,927)**	15,249
(Reversal of impairment)/impairment of trade receivables, net	**(19)**	839
Lease payments not included in the measurement of lease liabilities	**17,927**	20,019
Auditor's remuneration	**14,675**	12,246
Listing expenses of a subsidiary	**—**	43,138
Bank interest income	**(117,137)**	(88,673)
Government grants	**(137,335)**	(87,331)
Investment income from financial assets at fair value through profit or loss	**(92,828)**	(87,430)
Foreign exchange gains, net	**(46,028)**	(106,198)
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**757,499**	691,394
Pension scheme contributions***	**150,159**	148,794
Pension plan costs (defined benefit plan)	**1,653**	2,247
Central Provident Fund in Singapore***	**3,195**	2,884
Staff welfare expenses	**49,477**	51,545
Equity-settled share award expense	**20,640**	25,445
Total	**982,623**	922,309
Other expenses:		
Research and development costs	**586,157**	857,337
Donation	**2,018**	2,082
Remeasurement of contingent considerations	**—**	27,305
Fair value adjustment of redemption liabilities on non-controlling interests	**—**	37,301
Change in fair value of convertible bonds — embedded derivative component	**—**	45,625
Provision for legal claims	**14,515**	14,071
Surcharges for overdue tax payments	**11,979**	—
Loss on disposal of items of property, plant and equipment	**—**	212
Others	**16,449**	6,472
Total	**631,118**	990,405

* 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:

	2023	2022
	RMB'000	*RMB'000*
Interest on bank and other loans (including convertible bonds)	**561,191**	396,278
Interest on discounted notes receivable	**32,161**	37,284
Interest on discounted letters of credit	**8,417**	6,450
Interest on lease liabilities	**3,645**	1,491
Interest on redemption liabilities	**70,040**	30,252
Total	**675,454**	471,755

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% (2022: 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 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Pursuant to the rules and regulations of Singapore, Malaysia, Switzerland, Germany, United Kingdom and Australia, the Group is subject to 17%, 24%, 13.5%, 29.125%, 19% and 30% of their taxable income, respectively.

Pursuant to the rules and regulations of the USA, the Group is subject to federal statutory tax at the rate of 21% (2022: 21%) of taxable income. No provision for income tax has been made as the Group did not generate any taxable income in the USA (2022: Nil) during the year.

The provision for Chinese Mainland 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 Chinese Mainland which are granted tax concession and are taxed at preferential tax rates.

Shandong Luye Pharmaceutical Co., Ltd., Nanjing Luye Pharmaceutical Co., Ltd., Beijing WBL Peking University Biotech Co., Ltd., Sichuan Luye Pharmaceutical Co., Ltd. and Shandong Boan Biotechnology Co., Ltd. are qualified as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% (2022: 15%) during the year.

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**200,813**	102,776
Overprovision in prior years	**(606)**	(32,597)
Deferred tax	**(39,184)**	16,287
Total tax charge for the year	**161,023**	86,466

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

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**700,100**	669,762
At the PRC's statutory income tax rate of 25%	**175,025**	167,441
Effect of tax rate differences in other jurisdictions	**13,737**	46,318
Effect of preferential income tax rates applicable to subsidiaries	**(84,404)**	(80,186)
Additional deductible allowance for research and development expenses	**(77,334)**	(124,907)
Adjustments in respect of current tax of previous years	**(606)**	(32,597)
Effect of non-deductible expenses	**58,668**	32,075
Deemed income subject to tax	**267**	1,132
Income not subject to tax	**(21,520)**	(41,180)
Tax losses utilised from previous years	**(6,430)**	(24,956)
Tax losses not recognised	**94,508**	142,658
Uncertain tax positions	**8,882**	—
Effect of withholding tax at 10% on the interest expense of the Group's PRC subsidiaries to be paid	**230**	668
Tax charge at the Group's effective rate	**161,023**	86,466

The effective tax rate of the Group for the year was 23.0% (2022: 12.9%).

Pillar Two income taxes

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning on 1 January 2024.

The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the information available regarding the Group's financial statements in the current year and prior year of 2022. Based on the assessment carried out so far, the Group has identified potential Pillar Two income taxes exposure related to Chinese Mainland. However, the Pillar Two legislation has not yet been enacted or substantially enacted in Chinese Mainland or Hong Kong. Therefore, the Group does not expect potential exposures to Pillar Two "top-up" taxes until the Pillar Two legislation will be enacted and effective in Chinese Mainland or Hong Kong.

9 DIVIDENDS

No interim or final dividends were declared or proposed by the Company during the year ended 31 December 2023 (2022: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,728,362,856 (2022: 3,480,852,775) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2022 in respect of a dilution as the impact of the convertible bonds outstanding and share award scheme had an anti-dilutive effect on the basic earnings per share amounts presented.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2023 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

11 TRADE AND NOTES RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**1,980,794**	1,435,170
Notes receivable	**377,023**	351,843
Subtotal	**2,357,817**	1,787,013
Impairment	**(2,918)**	(3,327)
Net carrying amount	**2,354,899**	1,783,686

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 2023, notes receivable of RMB377,023,000 (2022: RMB 351,843,000) 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 2023.

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**1,748,109**	1,373,241
3 to 6 months	**15,927**	35,259
6 to 12 months	**215,249**	25,280
1 to 2 years	**748**	438
Over 2 years	**761**	952
Total	**1,980,794**	1,435,170

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**3,327**	3,404
Impairment losses, net	**(19)**	839
Amount written off as uncollectible	**(16)**	(1,093)
Exchange realignment	**(374)**	177
At end of year	**2,918**	3,327

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Current		
Listed equity investments, at fair value	**228**	441
Other unlisted investments, at fair value	**1,595,539**	1,973,383
Total — current	**1,595,767**	1,973,824
Non-current		
Unlisted equity investment, at fair value	**488,261**	1,005,351

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

The above other unlisted investments were wealth management products issued by licensed financial institutions in Chinese Mainland and investments in private fund. 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

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**427,026**	417,814
Notes payable	**340,161**	142,130
Total	**767,187**	559,944

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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**675,331**	496,382
3 to 6 months	**46,860**	42,465
6 to 12 months	**30,033**	13,903
1 to 2 years	**9,091**	2,860
Over 2 years	**5,872**	4,334
Total	**767,187**	559,944

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 2023, the Group's notes payable were secured by certain of the Group's deposits amounting to RMB326,390,000 (2022: RMB122,287,000).

14 INTEREST-BEARING LOANS AND BORROWINGS

31 December 2023

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans — secured	2.65–5.50	2024	3,036,965
Bank loans — secured EUR14,063,290	3.50–4.74	2024	110,526
Current portion of long-term bank loans — secured	3.55–5.40	2024	243,927
Current portion of long-term bank loans — secured US$24,528,438	3-month LIBOR+2.85	2024	173,728
Current portion of long-term other borrowings — secured	5.10–5.40	2024	191,390
Discounted notes receivable	0.60–4.95	2024	1,032,362
Discounted letters of credit	1.35–5.00	2024	388,356
Lease liabilities	3.76	2024	18,500
Total — current			5,195,754
Non-current			
Bank loans — secured	3.55–5.40	2025–2029	879,054
Bank loans — secured US$139,403,682	3-month LIBOR+2.85	2025	987,355
Long-term other borrowings — secured	5.10–6.00	2025–2028	171,664
Long-term other borrowings — unsecured	3.00	2026	200,099
Lease liabilities	4.67	2028	52,146
Total — non-current			2,290,318
Total interest-bearing loans and borrowings			7,486,072
Convertible bonds — debt component	6.25	2028	937,875
Total			8,423,947

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+0.80	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
Total — current			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
Total — non-current			2,264,731
Total interest-bearing loans and borrowings			7,642,713
Convertible bonds — debt component	6.50	2023	1,461,806
Total			9,104,519

	2023	2022
	RMB'000	*RMB'000*
Analysed into:		
Bank loans and other borrowings repayable:		
Within one year or on demand	**5,195,754**	6,839,788
In the second year	**1,321,825**	304,222
In the third to fifth years, inclusive	**1,845,682**	1,959,826
After five years	**60,686**	683
Total	**8,423,947**	9,104,519

Notes:

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

(i) the pledge of certain of the Group's deposits of RMB61,761,000 (2022: RMB604,661,000);

(ii) 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 RMB460,627,000 (2022: RMB390,749,000);

(iii) the pledge of certain of the Group's right-of-use assets, which had a net carrying value at the end of the reporting period of approximately RMB5,735,000 (2022: RMB4,313,000); and

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

(b) Certain of the Group's other borrowings are from independent third parties are secured by 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 RMB350,227,000 (2022: Nil).

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 ("Geneleap Biotech")	Controlled by the controlling shareholder
Sairun (Shanghai) Medical Technology Co., Ltd. ("Shanghai Sairun")	Controlled by the controlling shareholder

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

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Sales of products to:			
Steward Cross	*(i)*	**9,258**	7,150
Qingdao Luye	*(i)*	**13,813**	3,469
Sales of materials to:			
Yantai Painuo	*(ii)*	**120**	180
Sales of properties to:			
Yantai Painuo	*(ii)*	**58,257**	—
Provision of manufacturing service to:			
Yantai Painuo	*(ii)*	**2,455**	1,908
Provision of research and development services to:			
Yantai Painuo	*(ii)*	**—**	2,902
Provision of property management services to:			
Yantai Painuo	*(ii)*	**722**	722
Lease buildings to:			
Yantai Painuo	*(ii)*	**636**	5,148
Lease equipment to:			
Yantai Painuo	*(ii)*	**5,014**	5,014
Lease buildings and equipment from:			
Biotech Park Development	*(ii)*	**5,849**	1,263
Property management services from:			
Biotech Park Development	*(ii)*	**2,469**	2,689
Research and development services from:			
Yantai Cellzone	*(ii)*	**—**	2,328
Biotech Park Development	*(ii)*	**3,052**	2,830
Accommodation services from:			
Yunyue Winery	*(ii)*	**74**	107
Purchase of welfare goods from:			
LIG	*(ii)*	**—**	196
Payment on behalf by:			
Biotech Park Development	*(iii)*	**8,550**	7,822
Geneleap Biotech	*(iii)*	**—**	111
Repayment to:			
Biotech Park Development	*(iii)*	**10,103**	5,806
Geneleap Biotech	*(iii)*	**—**	104
Payment on behalf of:			
Shanghai Sairun	*(iii)*	**2,045**	—
Repayment from:			
Shanghai Sairun	*(iii)*	**2,045**	—
Advances from:			
Luye Life Sciences	*(iii)*	**4,958**	10,099
Repayment of advances from:			
Luye Life Sciences	*(iii)*	**15,057**	—

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 payments on behalf and advances were unsecured, interest-free and repayable on demand.

(b) Outstanding balances with related parties:

	2023	2022
	RMB'000	*RMB'000*
Other receivables		
Yantai Painuo	**86,088**	24,307
Qingdao Luye	**5,702**	3,164
Steward Cross	**2,218**	—
Total	**94,008**	27,471
Other payables		
Biotech Park Development*	**2,997**	1,334
Yantai Cellzone	**1,164**	1,164
Luye Life Sciences*	**—**	10,099
Total	**4,161**	12,597
Lease liabilities		
Biotech Park Development	**1,190**	5,196

* 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:

	2023	2022
	RMB'000	*RMB'000*
Short-term employee benefits	**29,053**	29,239
Pension scheme contributions	**1,182**	1,083
Equity-settled share award expense	**11,023**	10,716
Total compensation paid to key management personnel	**41,258**	41,038

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group is an international pharmaceutical company dedicated to the research and development ("R&D"), manufacturing and sale of innovative medications. The Group has established R&D centers in the People's Republic of China (the "PRC" or "China"), the United States (the "U.S.") and Europe, with a robust pipeline of over 30 drug candidates in China and more than 10 drug candidates in other international markets. The Group maintains high-level international standards in novel drug delivery technologies including microspheres, liposomes, and transdermal drug delivery systems. The Group has achieved multiple innovations in new chemical entities and antibodies, and is also actively making strategic developments in the fields of cell therapies and gene therapies.

The Group is developing a global supply chain of 8 manufacturing sites built up around the world, with GMP quality management and control systems established in line with international standards. With more than 30 products covering the central nervous system ("CNS"), oncology, cardiovascular, metabolism and other therapeutic areas, the Group's business is conducted in over 80 countries and regions around the world, including the largest pharmaceutical markets — China, the U.S., Europe and Japan, as well as in fast growing emerging markets.

During the year ended 31 December 2023 (the "Reporting Period") and up to the date of this announcement, the Group has persisted in its "innovation-driven" and "internationalisation" development strategy and has made remarkable achievements in all aspects of R&D, sales and marketing, business collaborations and manufacturing.

During the Reporting Period, the Group recorded a significant increase in products sales revenue of 11.2% to RMB5,627.4 million and an increase in total revenue (including sale of product know-how, out-licensing agreements and etc.) of 2.7% to RMB6,143.1 million, as compared to the year ended 31 December 2022.

Market Positioning and Key Products

For China market, the Group's key products are competitively positioned in four key therapeutic areas (oncology, CNS, cardiovascular and metabolism). According to IQVIA data, during the Reporting Period, oncology, metabolism, CNS and cardiovascular related pharmaceutical products constituted the 1st, 3th, 4th and 5th largest pharmaceutical markets in China, respectively. The Group's key products portfolio in China includes 4 (Lipusu, CMNa, Boyounuo and Baituowei) in oncology therapeutic area, 3 (Seroquel, Rykindo and Ruoxinlin) in CNS therapeutic area, 3 (Xuezhikang, Oukai and Maitongna) in cardiovascular therapeutic area and 1 (Beixi) in metabolism therapeutic area.

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.

During the Reporting Period, the Group's revenue from oncology therapeutic area decreased by 8.0% to RMB2,122.4 million. Revenue from cardiovascular system therapeutic area increased by 9.9% to RMB1,687.4 million. Revenue from CNS therapeutic area increased by 28.1% to RMB1,694.6 million. Revenue from metabolism therapeutic area decreased by 28.8% to RMB450.4 million.

The Group's 12 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.

Key products related to oncology therapeutic area

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 2023, 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 as far as the Company is aware, the only approved sensitiser for cancer radiotherapy by the National Medical Products Administration in China (the "NMPA"). According to the NMPA, CMNa was the only glycididazole product available for sale as of 31 December 2023. A 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 (博优諾)

Boyounuo (bevacizumab injection) was approved to the market by the NMPA in April 2021. It is an anti-VEGF humanized monoclonal antibody injection developed by Shandong Boan Biotechnology Co., Ltd. ("Boan Biotech"), a subsidiary of the Company. As of the date of this announcement, Boyounuo has been approved by the NMPA for the treatment of mCRC, advanced metastatic or recurrent nonsmall cell lung cancer, 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 date of this announcement, Boyounuo has been included in the updated NRDL for all five indications.

Baituowei (百拓維)

Baituowei (Goserelin Microspheres for Injection) was approved to the market by the NMPA for the treatment of prostate cancer for patients requiring androgen deprivation therapy ("ADT") in June 2023 and approved for the treatment of breast cancer in premenopausal and perimenopausal women that can be treated with hormones in September 2023. To the best knowledge of the Company, this product is the world's first and only formulation of goserelin long-acting microspheres approved for launch. With its innovative microsphere formulation, Baituowei is able to release the active ingredients more steadily within a treatment cycle, achieve better control over testosterone production, avoid testosterone surge caused by re-dosing, and ensure efficacy and safety. The improved needle for this product has a diameter of only 0.8 millimeter. This can reduce the incidence and severity of adverse reactions at the injection site, so as to improve patient tolerance and compliance, making it clearly superior over the reference drug. In December 2023, Baituowei has been included in the NRDL.

Key products related to CNS therapeutic area

Seroquel (思瑞康) and Seroquel XR (思瑞康緩釋片)

Seroquel (quetiapine fumarate, immediate release, IR) and Seroquel XR (extended release formulation) are atypical antipsychotic medicines with antidepressant properties. The main indications for Seroquel are the treatment of schizophrenia and bipolar disorder. Seroquel XR is also approved in some markets for major depressive disorder ("MDD") and generalised anxiety disorder. 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 ("PD").

Rykindo (瑞可妥)

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 2023. 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 2023, Rykindo has been included in the NRDL again under a renewed contract, maintaining the same payment standard under the health insurance remaining. In addition to China, Rykindo also received

marketing approval from the 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.

Key products related to cardiovascular therapeutic area

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 2023. According to IQVIA, the market for lipid-regulating drugs in China was estimated to be approximately RMB10.3 billion in the year of 2023. 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 2023.

Maitongna (麥通納)

Maitongna is sodium aescinate in injectable form and is indicated for the treatment of cerebral edema and edema caused by trauma or surgery as well as for the treatment of venous reflux disorder. According to IQVIA, the market for vasoprotective pharmaceutical products in China was estimated to be approximately RMB3.4 billion in the year of 2023. Maitongna was the best-selling domestically manufactured sodium aescinate product in China and ranked as the third most-used vasoprotective pharmaceutical product domestically manufactured in China in the year of 2023.

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 2023.

Key products related to metabolism therapeutic area

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 2023. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB1.1 billion in the year of 2023 and Bei Xi ranked as the second most popular acarbose product domestically manufactured in China in the year of 2023.

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 four cutting-edge platforms, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, Antibody-drug Conjugate ("ADC") Technology and Cell Therapy 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 biologics. 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 2023, the Group's R&D team consisted of 931 employees, including 86 Ph.D. degree holders and 467 master's degree holders in medical, pharmaceutical and other related areas. As at 31 December 2023, the Group had been granted 271 patents and had 61 pending patent applications in the PRC, as well as 508 patents and 123 pending patent applications overseas.

The Group will continue to invest the products in four strategic therapeutic areas — oncology, CNS, cardiovascular and metabolism. As at 31 December 2023, the Group had 35 PRC pipeline product candidates in various stages of development. These candidates included 17 oncology products, 12 CNS products and 6 other products. Also, the Group had 12 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

During the Reporting Period and up to the date of this announcement, the Group had remarkable R&D achievements in the following product candidates.

R&D progress for non-Boan Biotech's product candidates

Rykindo (Risperidone for Extended-release Injectable Suspension): *Rykindo is administered via intramuscular injection once every two weeks and delivers its active ingredient, risperidone, via long-acting and extended-release microsphere technology developed by the Group.*

It has been approved for marketing by NMPA in China in January 2021 for the treatment of patients with acute and chronic schizophrenia and other psychotic conditions with clear positive or negative symptoms. It has been approved for marketing by FDA in the U.S. 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. The development of Rykindo in Europe is also progressing well, with a plan to be registered and marketed in the global market.

- 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 Chinese Mainland in accordance with section 505(b)(2) of the Federal Food, Drug and Cosmetic Act.

LY03013/LY30410 (Rivastigmine Twice Weekly Transdermal Patch): *Rivastigmine MD is the world's first patch formulation of Rivastigmine to be administered twice weekly developed by the Group.*

It has been approved for marketing in several European countries in 2021 for the treatment of mild to moderate dementia associated with Alzheimer's disease ("AD"). It has been approved by NMPA in China in October 2023 for the symptomatic treatment of mild to moderate AD. The phase 3 clinical trial of Rivastigmine MD in Japan is also progressing well.

- In October 2023, Rivastigmine MD has been approved by the NMPA of China for the symptomatic treatment of mild to moderate AD.

LY03010 (Paliperidone Palmitate Extended-release Injectable Suspension): *a second-generation long-acting injectable (LAI) antipsychotic for the treatment of schizophrenia developed by the Group.*

The marketing application has been accepted by the Centre for Drug Evaluation ("CDE") of China in December 2022. The New Drug Application ("NDA") has been submitted to the U.S. FDA in September 2023. The development of LY03010 in Europe is also progressing well, with a plan to be registered and marketed in the global market.

- In February 2023, LY03010 received the approval by the competent authorities to initiate the first clinical trial in Europe being developed under Article 10.3 of Directive 2001/83/EC (hybrid application).

- In September 2023, the Group submitted its NDA to the U.S. FDA through the section 505(b)(2) pathway for LY03010 for the treatment of schizophrenia and schizoaffective disorder. As updated in January 2024, no patent infringement lawsuit has been filed against the NDA for LY03010 submitted to FDA through the section 505(b)(2) pathway, after the NDA was accepted and within the statutory time limit under the U.S. Federal Food, Drug, and Cosmetic Act. This means that LY03010 has successfully overcome the patent challenge in its NDA review process.

LY03003 (Rotigotine Extended-Release Microspheres for Injection): *the world's first long-acting extended-release microsphere formulation for the treatment of PD developed by the Group.*

Its NDA has been accepted by CDE in August 2023. It is also being developed in parallel in the U.S. and Japan.

As far as the Company is aware, LY03003 is the world's first weekly dopamine agonist formulation that produces continuous dopaminergic stimulation ("CDS"). Unlike other short-acting dopamine agonists that are already commercially available, LY03003 does not produce nonphysiological, pulsatile stimulation. Injected intramuscularly, it exhibits distinct properties of an extended-release formulation. LY03003 maintains a stable release of rotigotine over seven days and produce CDS. It also maintains a stable concentration of the active ingredient in the blood, to produce sustained therapeutic effects over several days in a row and reduce adverse reactions arising from concentration fluctuation. Additionally, the once-a-week dosing frequency improves patient compliance and makes the long-term management of the disease easier.

- In August 2023, the NDA of LY03003 developed by the Group has been accepted and granted priority review by the CDE for the treatment of PD.

LY03014: *a small molecule G protein biased at mu-opioid receptor agonist; indicated for the treatment of moderate to severe acute postoperative pain and breakthrough cancer pain; the new Class 1 drug in China.*

- In July 2023, the new Class 1 drug LY03014 developed by the Group has completed the patient enrollment for its phase 2 clinical trial in China.

Baituowei (Goserelin Microspheres for Injection): *the world's first and only formulation of goserelin long-acting microspheres approved for launch as far as the Company is aware; developed by the Group.*

It has been approved by the NMPA in China for the treatment of prostate cancer for patients requiring ADT in June 2023 and for the treatment of breast cancer in premenopausal and perimenopausal women that can be treated with hormones in September 2023.

With its innovative microsphere formulation, Baituowei is able to release the active ingredients more steadily within a treatment cycle, achieve better control over testosterone production, avoid testosterone surge caused by re-dosing, and ensure efficacy and safety. The improved needle for this product has a diameter of only 0.8 millimeter. This can significantly improve patient's experience.

- In June 2023, Baituowei (also known as "LY01005") has been approved by the NMPA in China for the treatment of prostate cancer for patients requiring ADT.

- In September 2023, Baituowei has been approved by the NMPA in China for the treatment of breast cancer in premenopausal and perimenopausal women that can be treated with hormones.

LY01022: *the long-acting 3-month dosing form of Goserelin Acetate Extended-release Microspheres for Injection developed by the Group.*

Compared with formulations administered monthly, LY01022 prolongs the dosing cycle and reduces the frequency of injections, which can further improve the patient's compliance.

- In January 2023, LY01022 obtained the approval from the CDE to initiate clinical trials.

LY01017 (Lurbinectedin for injection): *a selective inhibitor of oncogenic transcription; an imported drug the Group licensed from Pharma Mar, S.A. ("PharmaMar").*

Lurbinectedin has been approved by the Pharmacy and Poisons Board of the Hong Kong Special Administrative Region ("SAR") and the Pharmaceutical Administration Bureau in Macao SAR for the treatment of adult patients with metastatic small cell lung cancer ("SCLC") with disease progression upon or after receiving platinum-based chemotherapy in December 2023. Moreover, the drug is available to Chinese patients for urgent clinical use at designated medical institutions in the Hainan Boao Lecheng International Medical Tourism Pilot Zone and also benefit patients in Chinese Mainland through the "Hong Kong-Macao Medicines and Medical Devices Connect" policy of the Guangdong-Hong Kong-Macao Greater Bay Area.

Lurbinectedin is an analog of the marine compound ET-736 isolated from the sea squirt Ecteinacidia turbinata in which a hydrogen atom has been replaced by a methoxy group. It is a selective inhibitor of the oncogenic transcription programs on which many tumors are particularly dependent. Together with its effect on cancer cells, Lurbinectedin inhibits oncogenic transcription in tumor-associated macrophages, downregulating the production of cytokines that are essential for the growth of the tumor.

In 2020, Lurbinectedin received the Accelerated Approval from the U.S. FDA for the treatment of adult patients with metastatic SCLC with disease progression on or after receiving platinum-based chemotherapy. After that, the drug was also approved in several other countries worldwide. The Group owns the rights to develop and commercialize Lurbinectedin in China.

Lurbinectedin is recommended by multiple authoritative guidelines in China and abroad, including the NCCN Guidelines for SCLC (V2. 2024), which recommends this drug as a preferred treatment for SCLC patients with a chemotherapy-free interval (CTFI) ≤ 6 months, and the 2023 CSCO Guidelines for SCLC, which recommends it as a second-line treatment for SCLC relapsed within or after 6 months.

- In June 2023, the NDA of Lurbinectedin has been accepted by the CDE for the treatment of adult patients with metastatic SCLC with disease progression on or after receiving platinum-based chemotherapy in Chinese Mainland.

- In December 2023, Lurbinectedin has been approved by the Hong Kong SAR and Macao SAR of China for the treatment of adult patients with metastatic SCLC with disease progression upon or after receiving platinum-based chemotherapy.

LY01610 (Irinotecan Hydrochloride Liposome Injection): *an irinotecan hydrochloride liposome injection indicated for SCLC developed by the Group.*

LY01610 demonstrated promising efficacy and safety during Phase 1 and 2 clinical trials that were completed. In the Phase 2 clinical trial for Chinese patients with relapsed SCLC, LY01610 outperformed topotecan, the standard treatment for relapsed SCLC, in terms of Objective Response Rate (ORR), Duration of Response (DOR), Progression-Free Survival (PFS), and Overall Survival (OS). In terms of safety, LY01610 also had lower hematological toxicity than topotecan and caused fewer gastrointestinal adverse events such as diarrhea, than irinotecan hydrochloride.

- In March 2024, the first patient has been enrolled for the phase 3 clinical trial of LY01610.

Xuezhikang Capsules*: a pure natural lipid-regulating drug made by fermentation of red yeast rice using modern GMP production technology, and has been on the market for over 20 years.*

- In June 2023, the marketing registration of Xuezhikang Capsules has been approved in Uzbekistan for the treatment of hyperlipidemia, cardiovascular and cerebrovascular diseases caused by hyperlipidemia and atherosclerosis.

R&D progress for Boan Biotech's products candidates

Boyounuo® (bevacizumab injection): *an anti-VEGF humanized monoclonal antibody injection and a biosimilar to Avastin® independently developed by us.*

It has been approved for marketing by the NMPA in China in April 2021. As of the date of this announcement, Boyounuo® has been approved for 5 indications (mCRC, advanced metastatic or recurrent non-SCLC, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer and cervical cancer).

- In April 2023, Brazil's Agência Nacional de Vigiláncia Sanitária ("ANVISA") accepted our Biologics License Application ("BLA") for Boyuno®. In January 2024, we received GMP certification from the Brazilian ANVISA for Boyuno®, covering the drug substance and the drug product. This progress accelerates the commercial launch of this product overseas and we believe that there would be broad market prospects for Boyuno® in Brazil based on the country's huge patient base and the drug's high clinical value.

- In December 2023, Boyounuo® has been included in the latest NRDL for all of its 5 indications.

Boyoubei® (BA6101, denosumab injection): *a human immunoglobulin G2 monoclonal antibody of the RANK ligand and the first biosimilar to Prolia® independently developed by us.*

It has been approved for marketing by the NMPA in China for the treatment of postmenopausal women with osteoporosis at high risk for fracture in November 2022.

- In January 2023, Boyoubei® obtained the code of NRDL and the reimbursement could lay the foundation for rapid commercialization of Boyoubei®. In addition, we granted CP Pharmaceutical Qingdao Co., Ltd. ("CP Qingdao") the exclusive right to commercialize Boyoubei® in Chinese Mainland.

- In December 2023, Boyoubei® has been included in the latest NRDL.

- In May 2023, the FPI of an international multi-center phase 3 clinical study in Europe, the U.S., and Japan for our Denosumab Injection (BA6101 and BA1102) was enrolled.

- In January 2024, we completed the enrollment of all subjects for this international clinical study. According to the Guidelines by the FDA, the European Medicines Agency ("EMA") and the Japanese Pharmaceuticals and Medical Devices Agency ("PMDA") and based on our discussions with the FDA, EMA and PMDA, after completion of the Phase 3 clinical study, we can submit BLAs for BA6101 and BA1102 for all the approved indications as Prolia® and Xgeva® in the U.S., Europe, and Japan, respectively.

BA1102 (denosumab injection): *a fully human IgG2 anti-RANKL monoclonal antibody and a biosimilar to Xgeva® independently developed by us.*

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 morbidity.

- In March 2023, the BLA of BA1102 was accepted by CDE in China.

- In May 2023, the FPI of an international multi-center phase 3 clinical study in Europe, the U.S., and Japan for our Denosumab Injection (BA6101 and BA1102) was enrolled.

- In January 2024, we completed the enrollment of subjects for this international clinical study. According to the Guidelines by the FDA, EMA and PMDA and based on our discussions with the FDA, EMA and PMDA, after completion of the Phase 3 clinical study, we can submit BLAs for BA6101 and BA1102 for all the approved indications as Prolia® and Xgeva® in the U.S., Europe, and Japan, respectively.

BA5101 (dulaglutide injection): *a long-acting glucagon-like peptide-1 (GLP-1) receptor agonist and a biosimilar to Trulicity® independently developed by us.*

Dulaglutide is a long-acting glucagon-like peptide-1 (GLP-1) receptor agonist administered once a week. Compared with other glucose-reducing drugs, Dulaglutide can improve the functioning of pancreatic islet beta cells, stably and effectively reduce blood glucose and HbA1c levels. Due to its unique mechanism of action, Dulaglutide can improve multiple risk factors for cardiovascular diseases simultaneously such as weight gain, hyperlipidemia/blood lipids and long-term cardiovascular disease

risks, and is not prone to causing lower rate of hypoglycemia. It can also protect the kidney. Moreover, several clinical studies have shown that taking Dulaglutide once a week can also encourage consumption regularity among patients as a result of such convenience of use. BA5101 is indicated for glycemic control in adults with type 2 diabetes.

- In May 2023, BA5101 completed the patient enrollment for its phase 3 clinical trial (a comparative study of efficacy, safety and immunogenicity) in China. In March 2024, we completed this phase 3 clinical trial and is planning to submit a BLA for this drug in China. BA5101 is the first dulaglutide biosimilar in the world to have completed phase 3 clinical trial as far as we are aware, and leads in development progress.

BA9101 (aflibercept intravitreous injection): *a recombinant human vascular endothelial growth factor receptor antibody fusion protein ophthalmic injection and a biosimilar to Eylea®.*

Aflibercept is a homodimeric fusion protein consisting of portions of human vascular endothelial growth factor receptor ("VEGFR") extracellular domains (VEGFR 1 Ig2 and VEGFR 2 Ig3) fused to the Fc portion of human IgG1. Aflibercept acts as a soluble decoy receptor that binds VEGF-A, VEGF-B and PlGF, and thereby can inhibit the binding and activation of VEGF and PlGF, so it can be used as the treatment for pathological neovascular ophthalmopathy of retina and choroid. EYLEA® was approved by the FDA in 2011 and currently it was approved for the treatment of Neovascular (Wet) Age-Related Macular Degeneration ("wAMD"), Macular Edema Following Retinal Vein Occlusion (RVO), Diabetic Macular Edema ("DME"), Diabetic Retinopathy (DR) and Retinopathy of Prematurity (ROP) worldwide. Aflibercept was approved in 2018 in China for the treatment of wAMD and DME.

- In March 2023, BA9101 completed the patient enrollment for its phase 3 clinical trial in China. Pursuant to a collaboration and exclusive promotion agreement entered in October 2020, we jointly developed BA9101 with Ocumension Therapeutics (Stock code: 1477) in the phase 3 clinical trial of BA9101. We have granted Ocumension Therapeutics an exclusive right to promote and commercialize BA9101 in Chinese Mainland. We believe that Ocumension Therapeutics, as a well-known ophthalmology company with a professional team, will accelerate the clinical trials and commercialization of BA9101 to meet the urgent clinical needs of Chinese patients and strengthen our position in the field of biological products.

BA1104 (nivolumab injection): *a monoclonal antibody that can enhance the immune response of T cells against tumors by preventing the programmed cell death 1 (PD-1) receptor from binding to its ligands PD-L1 and PD-L2; and a biosimilar to Opdivo® independently developed by us.*

As a broad-spectrum anticancer medication, Nivolumab has been approved for multiple indications both in China and abroad. These include its use as a neoadjuvant, an adjuvant, or a first-line or later-line therapy for advanced cancers. It can be used as a standalone treatment, in combination with chemotherapy, or alongside novel immune checkpoint inhibitors. Nivolumab has become a product of basic therapy for a variety of solid tumors.

- In October 2023, the first patient in the phase 3 clinical trial of our Nivolumab Injection ("BA1104") in China was enrolled.

BA2101: *a long-acting human monoclonal antibody of the IgG4 subtype that targets interleukin-4 receptor subunit α (IL-4Rα) independently developed by us.*

The investigational drug can inhibit IL-4 and IL-13 signalling simultaneously, regulate the Th2 inflammatory pathway, and reduce eosinophils and circulating IgE levels. It is intended to be used for treating allergic diseases caused by Th2 inflammation. We have obtained regulatory approval to conduct clinical trials of BA2101 for indications including atopic dermatitis, asthma, chronic obstructive pulmonary disease ("COPD"), chronic rhinosinusitis with nasal polyps, prurigo nodularis, and chronic spontaneous urticaria (CSU). Compared to drugs with the same target which usually require dosing every two weeks, BA2101 can remain active for a longer period of time. Preclinical studies show that BA2101 has a longer half-life in cynomolgus monkeys than a marketed product with the same target, a feature that is expected to enable dosing once every four weeks in humans. Results of the completed phase 1 clinical trial show that BA2101 has a longer half-life and lower clearance rate than the marketed product. The Company has initiated a phase 2 clinical trial for the Product.

- We have completed the phase 1 clinical trial of BA2101 in 2023 and initiated a phase 2 clinical trial of BA2101 in January 2024.

- In January 2024, we entered into an partnership with Joincare Pharmaceutical Group Industry Co., Ltd. ("Joincare") in relation to our BA2101. In this partnership, Joincare is granted the exclusive rights to develop and commercialize BA2101 in Chinese Mainland for treating respiratory diseases such as asthma and COPD. The partner, Joincare, is a leading Chinese company in the therapeutic area of respiratory diseases. It boasts a wide range of respiratory products and a dedicated marketing team covering the whole country, making it a top player in the field. Through this partnership, we will leverage our respective strengths in R&D and commercialization to accelerate the clinical development of BA2101 for indications such as asthma and COPD.

BA1202: *a novel bi-specific antibody (bispecific antibody) drug that targets CEACAM5 ("CEA")/CD3 independently developed by us.*

BA1202 is a CEA/CD3 bispecific antibody that binds to both CD3 on T cells and CEA on tumor cells, enabling the linking of T cells with tumor cells to facilitate tumor killing. CD3 bispecific antibodies are an important direction for the development of innovative cancer immunotherapies. They function by recruiting CD3+ T cells to target tumors. As a bispecific T-cell engager (BiTE), they can bind to both CD3 antigens on the T cell surface and tumor-associated antigens. This enables them to bring T cells to tumor cells and stimulate the release of granzymes and perforin from T cells, which in turn lead to the killing of tumor cells. In addition, CD3 bispecific antibodies can enhance the sensitivity of immunotherapy as they can help turn cold tumors into hot ones by increasing immune cells infiltration into tumor tissues. This characteristic indicates their potential for use in combination with immune checkpoint inhibitors such as PD-L1 antibodies for enhanced efficacy. CEA is widely expressed on the

cell surface of many epithelial tumors, such as colorectal cancer, NSCLC, pancreatic cancer, and gastric cancer, but is expressed less in normal tissues, making it a potential target for tumor-targeted therapy.

BA1202 adopts a new butterfly-shaped antibody structure, with one end binding bivalently with high affinity to CEA on tumor cells, and the other end binding monovalently with relatively low affinity to CD3 on T cells, while retaining the Fc region. Such a design enables it to reduce the risk of cytokine release syndrome while retaining good efficacy through activating endogenous T cells to eliminate CEA-positive tumor cells.

- In May 2023, BA1202 received the IND approval in China. In August 2023, BA1202 was administered to the first subject in a Phase I clinical trial.

BA1106: *a non-IL-2 blocking anti-CD25 antibody independently developed by us.*

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.

The main mechanism of action of BA1106 is to deplete Treg cells in the tumor microenvironment through the antibody-dependent cellular cytotoxicity ("ADCC") and increase the number of effector T cells. Preclinical studies have shown that BA1106 demonstrated a good therapeutic effect on both early-stage and late-stage tumor models as well as a synergy when used in combination with an anti-PD-1 antibody. Moreover, BA1106 does not block the IL-2 signaling pathway, and depletes Treg cells moderately and specifically, with the potential for monotherapy and combination therapy. The results of the study on BA1106 have been published in Scientific Reports, a journal of Nature.

- In February 2023, BA1106 was administered on the first patient in a phase 1 clinical trial in China.

BA1301: *an ADC candidate that targets Claudin 18.2 independently developed by us.*

BA1301 for injection is our 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 January 2023, BA1301 received the IND approval in China. It was administered on the first patient in a phase 1 clinical trial in China in June.

- In December 2023, BA1301 was granted the Orphan Drug Designations ("ODD") by the FDA for the treatment of pancreatic cancer. In January 2024, BA1301 was additionally granted the ODD by the FDA for the treatment of gastric cancer, including cancer of gastroesophageal junction.

BA1105: *a recombinant anti-Claudin 18.2 fully human IgG 1 monoclonal antibody independently developed by us.*

Claudin 18.2 protein is a transmembrane protein involved in the regulation of tight junctions between cells, and can be highly expressed in gastrointestinal tumors consistently and stably. BA1105 is a recombinant anti-Claudin 18.2 fully human IgG1 monoclonal antibody, which enhances tumor-killing efficacy by enhancing ADCC effect. BA1105 introduces amino acid mutations in the Fc region to enhance the ADCC effect.

- In December 2023, BA1105 was granted the ODD by the FDA for the treatment of pancreatic cancer. In January 2024, BA1105 was additionally granted the ODD by the FDA for the treatment of gastric cancer, including cancer of gastroesophageal junction.

BA1302: *a novel CD228-directed ADC independently developed by us.*

First found in melanoma, CD228 is a GPI anchored glycoprotein that plays a role in tumor cell proliferation and migration. It is highly expressed in a variety of solid tumors such as melanoma, mesothelioma, colon cancer, breast cancer, and pancreatic cancer, and has low expression in normal tissues. Therefore, CD228 has high specificity in terms of expressing in tumors. It has higher binding specificity, and binds with the membrane form of CD228 only, not with sMF12, which is its soluble form. The chemical part of BA1302 is BNLD11, a linker-payload screened by the company stable both in vitro and in vivo.

The preclinical study shows that BA1302 exhibits a good antitumor effect in various tumor models such as lung cancer, gastric cancer, and melanoma. It demonstrates good safety and tolerance in the toxicological pretests on cynomolgus monkeys with the Maximum Tolerated Dose (MTD) being over 10mg/kg. This indicates strong therapeutic potential for the drug if used in clinical settings. BA1302 is in the preclinical study phase, and is expected to be the first-in-class product in China. No other ADC candidates with the same target have been reported for clinical trials in China.

- In May 2023, we presented the results of our research on BA1302 as a poster at the 19th Essential Protein Engineering & Cell Therapy Summit, known as PEGS Boston Summit 2023 or simply PEGS Boston 2023.

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 European Union, 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.

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 for the year ended 31 December 2023. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,700 distributors that collectively enabled the Group to sell its products to over 21,660 hospitals, which comprised approximately 2,280 or approximately 89.0% of all Class III hospitals, approximately 5,800 or approximately 66.0% of all Class II hospitals and approximately 13,800 or approximately 63.0% of all Class I and other hospitals and medical institutions, in the PRC for the year ended 31 December 2023. The Group believes that its sales and marketing model, together with the 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.

For business collaborations

During the Reporting Period, we have explored a number of cooperations with well-known domestic and foreign companies in relation to our products around the world as below:

- In January 2023, the Group launched the Named Patient Program ("NPP") in Hong Kong SAR, 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 Qingdao, to grant the latter the exclusive right to commercialize Denosumab Injection (Boyoubei) in Chinese Mainland.

- In July 2023, with the Group's innovative formulation, Goserelin Microspheres for Injection (Baituowei), was approved by NMPA on June 30, 2023, the Group and BeiGene, Ltd. ("BeiGene") (NASDAQ: BGNE; HKEX: 06160; SSE: 688235) officially kicked off a strategic partnership for Baituowei's commercialization in Chinese Mainland.

- In February 2024, the Group has entered into an agreement with Myung In Pharm, granting the latter the exclusive rights to commercialize Rivastigmine MD in South Korea.

Manufacturing

The Group is developing a global supply chain of 8 manufacturing sites around the world, with GMP quality management and control systems established in line with international standards. For the year ended 31 December 2023, 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 site for transdermal patches in Miesbach, Germany, maintained full capacity and is continuously increasing output to address growing customer demands. Customer audits during the Reporting Period were performed partly remotely, partly on site and was in compliance with GMP standards. Also, and for the first time after the Covid-19 outbreak, the local governmental GMP inspection took place for three days on site with the expected positive outcome. Several new customers were on-boarded during the Reporting Period and their product launches were supported as per customer timelines. In November, the Rotigotine patch was launched in the German market as the first and so far only alternative option to UCB's Neupro© patch. Significant investments in additional production capacity are under way in the framework of "Project Miesbach 2027".

2024 Outlook

After experiencing the cycle of price cut in medical insurance negotiations and volume-based procurement, the Group expects that the overall business will return to the growth cycle with the successive launch of many new products. During the Reporting Period, although Chinese Mainland was severely affected by the pandemic in January 2023, the Group's overall products sales performed well, recording products sales revenue of RMB5,627.4 million with a growth rate of 11.2% and a total revenue of RMB6,143.1 million.

The Group anticipates that the following changes and strategies will lead to the Group's long-term sustainable growth at the overall operational level in the future.

Existing products are expected to have stable growth and new products approved in the past three 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 Bevacizumab Injection (Boyounuo). These three products have already been included in the NRDL and their prices are expected to be relatively stable based on current policy. With the expansion of the patients, these three products will bring sustained and stable growth in the future.

Apart from the mature products above, the Group's innovative formulation, Baituowei, has been approved for launch for the treatment of prostate cancer and breast cancer during the Reporting Period. With its innovative microsphere formulation, Baituowei is able to ensure efficacy and safety while significantly improving patient experience. Data from IQVIA shows that the total size of the market for

GnRH agonists in China was approximately RMB 9.72 billion in 2023. Due to the huge unmet needs of patients, it is expected that Baituowei will have a very promising market in China. The Group and BeiGene have entered a strategic partnership for Baituowei's commercialization in China and this product has been included in the latest NRDL. With the strong commercialization capabilities of both parties and the coverage of medical insurance, the sales of Baituowei will be ramp up rapidly.

In addition, innovative new compound product, Lurbinectdin, has been approved for launch in Hong Kong SAR and Macao SAR for the treatment of metastatic SCLC. Lung cancer has the highest mortality rate among all cancers, especially SCLC, which is notoriously difficult to treat because it's highly malignant and invasive. Most patients would develop drug resistance and experience a relapse after receiving the initial treatment. Meanwhile, there has been very limited progress in the treatment of this disease, with almost no substantial breakthrough in more than two decades. The approval of Lurbinectedin will provide a new treatment option for physicians. It can also benefit patients at designated healthcare institutions in Guangdong via the Greater Bay Area Initiative.

For cardiovascular therapeutic area, the Group has the exclusive products Xuezhikang and Oukai. Since 2019 the Group granted the promotion right of Xuezhikang to AstraZeneca in Chinese Mainland, Xuezhikang has continued to maintain rapid growth and become another blockbuster product of the Group with sales of more than RMB1,000 million since 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. 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 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.

Among them, Ruoxinlin is a new chemical entity approved for MDD in 2022. MDD affects nearly 300 million people worldwide. China has around 50 million MDD patients who need to treat with standard medications. Since the outbreak of the COVID-19 pandemic, the prevalence of MDD has been on the rise, posing an increasingly serious challenge to patients and caregivers. However, developing new drugs for the treatment of mental disorders has been difficult. Meanwhile, existing drugs cannot meet the needs of patients in terms of efficacy and side effects in this therapeutic area. The launch of this product is a breakthrough for innovative drugs developed locally in China in this field. The clinical studies show that Ruoxinlin is able to comprehensively and stably improve depressive symptoms with favorable safety profile and good tolerability. In its first year on the market, Ruoxinlin has been sold rapidly and has become one of the fastest-growing new drugs in the field of CNS. The Group expects this product to become another blockbuster product with potential sales of billions RMB. The Group will also expand the research of Ruoxinlin in the adolescent population and patients with recurrent depression, and expect the product to be applied to a wider group of patients with depression.

Rykindo is an extended-release microsphere for injection administered bi-weekly for the treatment of schizophrenia and bipolar disorder. It has been approved in China in 2021 and included in the latest NRDL under a renewed contract in 2023. Meanwhile, Rykindo has also been approved by FDA in the U.S. in 2023. The development of Rykindo in Europe is also progressing well, with a plan to be marketed in the global market. Schizophrenia and bipolar disorder are both severe mental disorders, and according to recent figures, affecting an estimate of 24 million and 40 million people worldwide.

Rivastigmine MD is a twice-weekly innovative patch formulation of Rivastigmine for the treatment of AD. 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. Rivastigmine MD has been approved for marketing in the Europe since 2021 and approved for marketing in China in 2023.

For other therapeutic areas, the Group also has a new product Boyoubei launched in 2022. Boyoubei has been approved for the treatment of osteoporosis and is an international first-line anti-osteoporosis drug, providing a convenient, effective and economical treatment plan for patients with osteoporosis.

Developing pipeline products are expected to launch in the next two years

In addition to the products launched in the past 3 years, the Group has a number of pipeline products under NDA stage in different markets as of announcement date. Among them, LY01017, LY021702, LY03010, LY03003 and BA1102 under NDA review in Chinese Mainland as well as LY03010 during NDA stage in the U.S. In addition, the Group also have over 10 pipeline products (e.g. LY03005, LY30410, LY021701, BA5101, BA9101, BA6101, BA1102 and BA1104) under phase 3 clinical trials, pivotal studies or NDA/BLA preparing stage in different markets.

For oncology therapeutic area, Lurbinectdin (LY01017), Oxycodone and Naloxone ER Tablets (LY021702) and Denosumab (BA1102) are expected to be launched in China in 2024. For CNS therapeutic area, Paliperidone LAI (LY03010) has the potential to be launched both in China and the U.S. in 2024. Rotigotine LAI (LY03003) is expected to be approved in China in 2024. For other therapeutic area, Dulaglutide (BA5101) and Aflibercept (BA9101) could be approved in China in 2025. These products are all high-potential products in their therapeutic area. Their benchmarking market space is large and the speed of ramp-up is predictable.

Optimization of marketing and business development efficiency is expected to bring high-quality sales development

With the launch of many new products, the Group will expand sales teams in core therapeutic areas. In the field of oncology, with the launch of Lurbinectdin, the Group will add a dedicated team to quickly cover core hospitals, and cooperate with the existing team to fully promote the coverage of the product in wide markets. In the field of CNS, the Group will continue to expand the size of Ruoxinlin's team to increase its coverage in core markets and carry out more academic clinical trials. Meanwhile, the Group

will also actively expand the coverage of Ruoxinlin in multi-departments with various partners not limited to psychiatric hospitals or departments. In the field of conventional medicine, the Group will orderly expand the dedicated team of Oukai to further release the potential of this product.

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. In terms of BD-in, the Group will focus on high-potential products in the field of oncology and CNS that can generate sales revenue in short term and have synergetic effects with existing products. For non-core products or products that have the opportunity to obtain a larger scale of sales by commercialization of partners, the Group will actively choose to BD-out.

Improving the profitability through the optimization of various expenses

With more and more high-priced new products being sold to the market, the Group's overall gross profit margin expects to gradually increase. In addition, the Group will strategically continue to improve the management efficiency, reduce non-essential expenses. The Group's governance and administrative costs could be kept at the current absolute level through optimizing the human resource structures. Marketing efficiency will continue to improve, and the selling expenses to revenue ratio expects to gradually decrease. With the reduction of interest-bearing liabilities, the financial expense to revenue ratio will also be reduced to a certain extent. R&D expenses will be controlled to a certain amount. As a result, the overall net profit margin is expected to gradually return to the industry level.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group's revenue amounted to approximately RMB6,143.1 million, as compared to RMB5,981.7 million for the year ended 31 December 2022, representing an increase of approximately RMB161.4 million, or 2.7%. The increase was mainly attributable to an increase of sales from certain products as further elaborated below.

For the Reporting Period, the Group's revenue from sales of oncology products decreased to RMB2,122.4 million, as compared to RMB2,305.9 million for the year ended 31 December 2022, representing a decrease of approximately RMB183.5 million, or 8.0%, primarily attributable to the lack of sales of R&D oncology products during the year.

For the Reporting Period, revenue from sales of cardiovascular system products increased to RMB1,687.4 million, as compared to RMB1,535.7 million for the year ended 31 December 2022, representing an increase of approximately RMB151.7 million, or 9.9%, primarily attributable to the increase in sales of various cardiovascular system products of the Group.

For the Reporting Period, revenue from sales of alimentary tract and metabolism products decreased to RMB450.4 million, as compared to RMB632.4 million for the year ended 31 December 2022, representing a decrease of approximately RMB182.0 million, or 28.8%, primarily attributable to the decrease in sales of various other alimentary tract and metabolism products of the Group.

For the Reporting Period, revenue from CNS products increased to RMB1,694.6 million, as compared to RMB1,322.7 million for the year ended 31 December 2022, representing an increase of approximately RMB371.9 million or 28.1%.

For the Reporting Period, revenue from sales of other products increased to RMB188.3 million, as compared to RMB185.0 million for the year ended 31 December 2022, representing an increase of approximately RMB3.3 million, or 1.8%, 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 RMB1,841.1 million for the year ended 31 December 2022 to approximately RMB1,938.9 million for the Reporting Period, which accounted for approximately 31.6% of the Group's total revenue for the same year. The Group's increase in cost of sales margin was mainly attributable to the higher sales of higher cost products for the Reporting Period, as compared to the year ended 31 December 2022.

Gross Profit

For the Reporting Period, the Group's gross profit increased to RMB4,204.2 million, as compared to RMB4,140.5 million for the year ended 31 December 2022, representing an increase of approximately RMB63.7 million, or 1.5%. The gross profit margin of 68.4%, decreased from 69.2% for the year ended 31 December 2022, mainly due to higher sales of higher cost margin products of the Group for the Reporting Period, as compared to the year ended 31 December 2022.

Other Income and Gains

The Group's other income and gains mainly comprised of government grants, interest income and investment income. For the Reporting Period, the Group's other income and gains increased to RMB501.8 million, as compared to RMB393.1 million for the year ended 31 December 2022, representing an increase of approximately RMB108.7 million, or 27.7%. The increase was mainly attributable to higher government grant, bank interest income and a fair value gain from financial instruments 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 Reporting Period, the Group's selling and distribution expenses amounted to RMB2,056.2 million, as compared to RMB1,819.7 million for the year ended 31 December 2022, representing an increase of RMB236.5 million, or 13.0%. The increase was mainly attributable to higher staff cost, travelling expenses and promotion expenses. As a percentage of revenue, the Group's selling and distribution expenses increased to 33.5%, as compared to 30.4% for the year ended 31 December 2022.

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 Reporting Period, the Group's administrative expenses amounted to approximately RMB644.0 million, as compared to RMB582.9 million for the year ended 31 December 2022, representing an increase of approximately RMB61.1 million, or 10.5%. The slight increase was mainly due to staff cost and travelling expenses 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 Reporting Period, the Group's other expenses amounted to approximately RMB631.1 million, as compared to RMB990.4 million for the year ended 31 December 2022, representing a decrease of approximately RMB359.3 million, or 36.3%. The decrease was mainly due to a substantially lower R&D cost during the year.

Finance Costs

For the Reporting Period, the Group's finance costs amounted to RMB675.5 million, as compared to RMB471.8 million for the year ended 31 December 2022, representing an increase of approximately RMB203.7 million, or 43.2%. The increase was mainly due to the higher interest on bank and convertible bond interest for the Reporting Period, as compared to the corresponding year ended 31 December 2022.

Income Tax Expense

For the Reporting Period, the Group's income tax expense amounted to RMB161.0 million, as compared to RMB86.5 million for the year ended 31 December 2022, representing an increase of RMB74.5 million, or 86.1%. The effective tax rate for the Reporting Period is 23.0%, as compared to 12.9% for the year ended 31 December 2022 mainly contributed to additional tax provision made during the year.

Net Profit

The Group's net profit for the Reporting Period was approximately RMB539.1 million, as compared to RMB583.3 million for the year ended 31 December 2022, representing a decrease of approximately RMB44.2 million, or 7.6%.

Liquidity, Financial and Capital Resources

As at 31 December 2023, the Group had net current assets of approximately RMB2,565.5 million, as compared to approximately RMB1,298.6 million as at 31 December 2022. The current ratio of the Group increased slightly to approximately 1.32 as at 31 December 2023 from approximately 1.14 as at 31 December 2022. The decrease in net current assets was mainly attributable to higher trade and notes receivables.

Borrowings and Pledge of Assets

As at 31 December 2023, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB7,486.1 million, as compared to approximately RMB7,642.7 million as at 31 December 2022. Amongst the loans and borrowings, approximately RMB5,195.8 million are repayable within one year, and approximately RMB2,290.3 million are repayable after one year. RMB4,518.9 million of the loans and borrowings of the Group carried interest at fixed interest rate. As at 31 December 2023, the Group's borrowings were primarily denominated in RMB, Euro and U.S. dollars, and the cash and cash equivalents were primarily denominated in RMB, Euro and U.S. dollars.

Gearing Ratio

As at 31 December 2023, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to 55.3% from 69.2% as at 31 December 2022. The decrease was primarily due to slightly higher total equity during the year.

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 2023. 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

2022 convertible bonds

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

The convertible bonds comprise two components:

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

(b) The 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 the statement of 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 issuance of the convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values.

2023 convertible bonds

On 6 July 2023, the Company issued 6.25 per cent convertible bonds with an aggregate principal amount of US$180,000,000 and the listing of the bonds on the Stock Exchange was effective on 7 July 2023. The bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK$4.88 per share any time on or after 16 August 2023 and up to the close of business on the date falling ten days prior to 6 July 2028. On 6 July 2026, the holder of each bond will have the right at such holder's option, to require the Company to redeem all or some only of the bonds at their principal amount, together with interest accrued but unpaid. Any convertible bonds not converted will be redeemed on 6 July 2028 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 6.25 per cent per annum, which is payable semi-annually in arrears on 6 January and 6 July.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as equity component and is included in shareholders' equity.

As at 31 December 2023, the total outstanding principal amount of convertible bond is US$180,000,000.

Hedging Activities

As at 31 December 2023, 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

There were no other significant events that required additional disclosure or adjustments occurred after the end of the Reporting Period.

FINAL DIVIDEND

No dividends were declared for the year ended 31 December 2023 (2022: Nil).

CLOSURE OF REGISTER OF SHAREHOLDERS

The Company's annual general meeting will be held on Tuesday, 28 May 2024. For determining eligibility to attend and vote at the annual general meeting, the register of shareholders of the Company will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 22 May 2024.

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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance.

As at 31 December 2023 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 C.2.1 of the CG Code

The roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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 C3 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 Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 22 February 2023, the Company issued and placed a total of 212,000,000 shares to no less than six placees at the placing price of HK$3.78 per placing share.

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 Reporting Period.

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 Reporting Period. The audit committee also approved the annual results and the consolidated financial statements for the Reporting Period and submitted them to the Board for approval.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2023 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 2023 annual report containing all the information about the Company set out in this announcement including the financial results for the Reporting Period will be posted on the Company's website (www.luye.cn) and the website of the Stock Exchange (www.hkexnews.hk) in due course.

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

Hong Kong, 27 March 2024

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 Dr. Lyu Dong; and the independent non-executive directors of the Company are Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit, Mr. CHOY Sze Chung Jojo and Ms. XIA Lian.