LUYE PHARMA GROUP LTD.
绿叶制药集团有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 02186)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue decreased by RMB81.7 million or 1.3% to RMB6,061.4 million, as compared to the year ended 31 December 2023.
- EBITDA increased by RMB114.2 million or 5.5% to RMB2,191.7 million, as compared to the year ended 31 December 2023.
- Gross profit decreased by RMB160.0 million or 3.8% to RMB4,044.2 million, as compared to the year ended 31 December 2023, and gross profit margin was 66.7%.
- Profit before tax increased by RMB139.1 million or 19.9% to RMB839.2 million, as compared to the year ended 31 December 2023.
- Net profit amounted to RMB645.0 million, representing an increase of RMB105.9 million, as compared to the year ended 31 December 2023.
- Profit attributable to shareholders amounted to RMB471.9 million, representing a decrease of RMB60.7 million, as compared to the year ended 31 December 2023.
- Earnings per share was RMB12.54 cents compared to RMB14.29 cents for the year ended 31 December 2023.
- No dividend was proposed by the Board for the year ended 31 December 2024.

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 2024, together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
REVENUE	*5*	**6,061,441**	6,143,078
Cost of sales		**(2,017,214)**	(1,938,903)
Gross profit		**4,044,227**	4,204,175
Other income and gains	*5*	**359,968**	501,837
Selling and distribution expenses		**(1,816,428)**	(2,056,167)
Administrative expenses		**(581,962)**	(643,967)
Other expenses	*6*	**(604,027)**	(631,118)
Finance costs	*7*	**(561,785)**	(675,454)
Share of profits and losses of associates		**(774)**	794
PROFIT BEFORE TAX	*6*	**839,219**	700,100
Income tax expense	*8*	**(194,211)**	(161,023)
PROFIT FOR THE YEAR		**645,008**	539,077
Attributable to:			
Owners of the parent		**471,886**	532,605
Non-controlling interests		**173,122**	6,472
		645,008	539,077
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*10*	**12.54 cents**	14.29 cents
Diluted (RMB)	*10*	**12.54 cents**	14.29 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024	2023
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**645,008**	539,077
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	**18,840**	43,852
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**18,840**	43,852
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(5,119)**	(10,875)
Income tax effect	**61**	146
	(5,058)	(10,729)
Remeasurement on defined benefit plan	**(1,871)**	(3,158)
Income tax effect	**185**	546
	(1,686)	(2,612)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(6,744)**	(13,341)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**12,096**	30,511
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**657,104**	569,588
Attributable to:		
Owners of the parent	**483,997**	563,050
Non-controlling interests	**173,107**	6,538
	657,104	569,588

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,004,624**	4,751,937
Right-of-use assets		**334,581**	336,568
Goodwill		**1,012,456**	1,041,930
Other intangible assets		**6,585,487**	6,317,880
Investment in a joint venture		**359,420**	–
Investments in associates		**1,511,687**	1,388,197
Equity investments designated at fair value through other comprehensive income		**2,786**	91,976
Prepayments, other receivables and other assets		**710,962**	66,459
Financial assets at fair value through profit or loss	*12*	**618,512**	488,261
Pledged deposits		**–**	159,640
Deferred tax assets		**163,578**	144,585
Total non-current assets		**16,304,093**	14,787,433
CURRENT ASSETS			
Inventories		**911,893**	827,863
Trade and notes receivables	*11*	**2,779,767**	2,354,899
Prepayments, other receivables and other assets		**1,939,220**	429,589
Financial assets at fair value through profit or loss	*12*	**1,504,067**	1,595,767
Pledged deposits		**1,174,015**	984,496
Time deposits with original maturity of over three months		**62,000**	1,271,695
Cash and cash equivalents		**4,937,145**	3,238,973
Total current assets		**13,308,107**	10,703,282
CURRENT LIABILITIES			
Trade and notes payables	*13*	**689,300**	767,187
Other payables and accruals		**2,182,079**	1,951,568
Interest-bearing loans and borrowings	*14*	**6,574,007**	5,195,754
Convertible bonds		**1,011,067**	–
Government grants		**18,302**	22,965
Tax payable		**294,387**	200,333
Total current liabilities		**10,769,142**	8,137,807
NET CURRENT ASSETS		**2,538,965**	2,565,475
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,843,058**	17,352,908

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2024

	Note	**2024** ***RMB'000***	2023 *RMB'000*
NON-CURRENT LIABILITIES			
Convertible bonds		**1,015,543**	937,875
Interest-bearing loans and borrowings	*14*	**1,720,437**	2,290,318
Government grants		**118,207**	103,579
Employee defined benefit obligation		**5,341**	4,100
Deferred tax liabilities		**36,479**	47,257
Other non-current liabilities		**193,381**	441,285
Total non-current liabilities		**3,089,388**	3,824,414
Net assets		**15,753,670**	13,528,494
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**486,107**	486,107
Share premium		**4,250,260**	4,159,320
Equity component of convertible bonds		**461,359**	386,362
Reserves		**8,956,803**	7,499,396
		14,154,529	12,531,185
Non-controlling interests		**1,599,141**	997,309
Total equity		**15,753,670**	13,528,494

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. CORPORATE INFORMATION

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

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

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

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as 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 financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, 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 2024. 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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

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

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

4 OPERATING SEGMENT INFORMATION

Year ended 31 December 2024

	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	**1,766,617**	**1,660,005**	**382,647**	**1,602,437**	**277,841**	**5,689,547**
Sale of product know-how	**250,000**	**–**	**–**	**–**	**–**	**250,000**
Provision of research and development services	**66,813**	**–**	**6,227**	**1,637**	**2,323**	**77,000**
Out-licensing agreements	**1,201**	**–**	**–**	**9,183**	**34,510**	**44,894**
Total segment revenue	**2,084,631**	**1,660,005**	**388,874**	**1,613,257**	**314,674**	**6,061,441**
Segment results	**1,057,773**	**529,720**	**128,052**	**456,326**	**55,928**	**2,227,799**
Other income and gains						**359,968**
Administrative expenses						**(581,962)**
Other expenses						**(604,027)**
Finance costs						**(561,785)**
Share of profits and losses of associates						**(774)**
Profit before tax						**839,219**

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 segment 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 profits and losses of associates						794
Profit before tax						700,100

5 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Revenue from contracts with customers	**6,061,441**	6,143,078

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2024

	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	**1,766,617**	**1,660,005**	**382,647**	**1,602,437**	**277,841**	**5,689,547**
Sale of product know-how	**250,000**	**–**	**–**	**–**	**–**	**250,000**
Provision of research and development services	**66,813**	**–**	**6,227**	**1,637**	**2,323**	**77,000**
Out-licensing agreements	**1,201**	**–**	**–**	**9,183**	**34,510**	**44,894**
Total	**2,084,631**	**1,660,005**	**388,874**	**1,613,257**	**314,674**	**6,061,441**
Geographical markets						
Chinese Mainland	**2,052,322**	**1,651,032**	**387,351**	**522,200**	**311,716**	**4,924,621**
Asia (other than Chinese Mainland)	**32,309**	**8,973**	**42**	**306,162**	**–**	**347,486**
European Union	**–**	**–**	**1,481**	**585,120**	**66**	**586,667**
Other countries	**–**	**–**	**–**	**199,775**	**2,892**	**202,667**
Total	**2,084,631**	**1,660,005**	**388,874**	**1,613,257**	**314,674**	**6,061,441**
Timing of revenue recognition						
Transferred at a point in time	**2,017,818**	**1,660,005**	**382,647**	**1,611,620**	**312,351**	**5,984,441**
Transferred over time	**66,813**	**–**	**6,227**	**1,637**	**2,323**	**77,000**
Total	**2,084,631**	**1,660,005**	**388,874**	**1,613,257**	**314,674**	**6,061,441**

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	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	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	2,122,380	1,687,359	450,420	1,694,624	188,295	6,143,078

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:

	2024 ***RMB'000***	2023 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**73,315**	102,558
Provision of research and development services	**–**	943
Total	**73,315**	103,501

(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

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

Out-licensing agreements

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

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

	2024	2023
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**169,955**	133,584
After one year	**12,351**	68,640
Total	**182,306**	202,224

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.

	2024	2023
	RMB'000	*RMB'000*
Other income		
Bank interest income	**84,432**	117,137
Government grants*	**162,069**	137,335
Investment income from financial assets at fair value through profit or loss	**72,760**	92,828
Lease and property management service income	**7,027**	6,372
Compensation income	**2,649**	–
Others	**9,941**	2,599
Total other income	**338,878**	356,271

	2024	2023
	RMB'000	*RMB'000*
Gains		
Changes in fair value of financial assets at fair value through profit or loss	**1,791**	1,938
Foreign exchange gains, net	**–**	46,028
Changes in fair value of convertible bonds – embedded derivative component	**–**	87,705
Gain on a finance lease as a sublease lessor	**548**	7,476
Gain on disposal of items of property, plant and equipment and other intangible assets	**14,852**	1,500
Gain on disposal of a subsidiary	**3,636**	–
Gain on lease modifications	**–**	633
Others	**263**	286
Total gains	**21,090**	145,566
Total other income and gains	**359,968**	501,837

* The government grants mainly represent subsidies received from local government authorities to support the Group's research and development activities and operation and to compensate capital expenditure incurred on certain projects.

6 PROFIT BEFORE TAX

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

	2024	2023
	RMB'000	*RMB'000*
Cost of inventories sold	**1,951,077**	1,866,830
Cost of services provided	**66,137**	72,073
Depreciation of items of property, plant and equipment	**374,042**	349,948
Depreciation of right-of-use assets	**28,392**	28,259
Amortisation of other intangible assets*	**388,238**	323,644
Write-down of inventories to net realisable value**	**(1,359)**	(4,927)
Impairment/(reversal of impairment) of trade receivables, net	**1,849**	(19)
Impairment of other receivables, net	**4,323**	–
Lease payments not included in the measurement of lease liabilities	**18,412**	17,927
Auditor's remuneration	**15,629**	14,675
Bank interest income	**(84,432)**	(117,137)
Government grants	**(162,069)**	(137,335)
Investment income from financial assets at fair value through profit or loss	**(72,760)**	(92,828)
Foreign exchange differences, net	**71,725**	(46,028)
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**687,968**	757,499
Pension scheme contributions***	**156,871**	150,159
Pension plan costs (defined benefit plan)	**1,983**	1,653
Central Provident Fund in Singapore***	**3,145**	3,195
Staff welfare expenses	**53,129**	49,477
Equity-settled share award expense	**21,499**	20,640
Total	**924,595**	982,623

	2024 *RMB'000*	2023 *RMB'000*
Other expenses:		
Research and development costs	**498,587**	586,157
Donation	**1,478**	2,018
Provision for legal claims	**14,653**	14,515
Surcharges for overdue tax payments	**3,611**	11,979
Loss on termination of a finance lease	**7,908**	–
Loss on lease modifications	**481**	–
Foreign exchange loss, net	**71,725**	–
Others	**5,584**	16,449
Total	**604,027**	631,118

* The amortisation of licences and trademarks, distribution right and 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:

	2024 *RMB'000*	2023 *RMB'000*
Interest on bank and other loans (including convertible bonds)	**474,726**	561,191
Interest on discounted notes receivable	**58,469**	32,161
Interest on discounted letters of credit	**16,446**	8,417
Interest on lease liabilities	**4,100**	3,645
Interest on redemption liabilities	**8,044**	70,040
Total	**561,785**	675,454

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% (2023: 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 (2023: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 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% (2023: 21%) of taxable income. No provision for income tax has been made as the Group did not generate any taxable income in the USA during the year (2023: Nil).

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., Shandong Boan Biotechnology Co., Ltd. ("Boan Biotech") and Nanjing Jimai Biological Technology Co., Ltd. are qualified as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% (2023: 15%) during the year.

	2024	2023
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**232,815**	200,813
Overprovision in prior years	**(9,106)**	(606)
Deferred tax	**(29,498)**	(39,184)
Total tax charge for the year	**194,211**	161,023

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdiction where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	2024	2023
	RMB'000	*RMB'000*
Profit before tax	**839,219**	700,100
At the PRC's statutory income tax rate of 25%	**209,805**	175,025
Effect of tax rate differences in other jurisdictions	**32,497**	13,737
Effect of preferential income tax rates applicable to subsidiaries	**(133,771)**	(84,404)
Additional deductible allowance for research and development expenses	**(75,719)**	(77,334)
Adjustments in respect of current tax of previous years	**(9,106)**	(606)
Effect of non-deductible expenses	**92,830**	58,668
Deemed income subject to tax	**–**	267
Income not subject to tax	**(12,319)**	(21,520)
Tax losses utilised from previous years	**(2,391)**	(6,430)
Tax losses not recognised	**65,419**	94,508
Uncertain tax positions	**–**	8,882
Effect on withholding tax at 10% on sales of equity	**14,058**	–
Effect of withholding tax at 10% on the distributable profit of PRC subsidiaries	**10,785**	–
Effect of withholding tax at 10% on the interest expense of the Group's PRC subsidiaries to be paid	**2,123**	230
Tax charge at the Group's effective rate	**194,211**	161,023

The effective tax rate of the Group for the year was 23.1% (2023: 23.0%).

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted and been in effect as at 31 December 2024 in certain jurisdictions in which the Group operates, such as Australia, Germany, Switzerland and United Kingdom. Pillar Two legislation has not been enacted or effective as at 31 December 2024 in the other jurisdictions in which the Group operates.

The Group has performed an assessment of the potential exposure arising from Pillar Two legislation based on the information available for the financial year ended 31 December 2024. Based on the assessment carried out so far, the Group has identified potential exposure to Pillar Two income taxes mainly related to Mainland China. However, the Pillar Two legislation has not yet been enacted or substantially enacted in Mainland China or Hong Kong. Therefore, the Group does not expect potential exposures to Pillar Two "top-up" taxes in 2024 until the Pillar Two legislation will be enacted and effective in Mainland China or Hong Kong.

9 DIVIDEND

No interim or final dividends were declared by the Company during the year ended 31 December 2024 (2023: Nil).

10 EARNINGS PER SHARE ATTRIBUTABLE TO 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 3,761,670,643 (2023: 3,728,362,856) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2023 and 2024 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

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**2,388,581**	1,980,794
Notes receivable	**395,966**	377,023
	2,784,547	2,357,817
Impairment	**(4,780)**	(2,918)
Net carrying amount	**2,779,767**	2,354,899

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 2024, notes receivable of RMB131,227,000 (2023: RMB377,023,000) 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 2024. The remaining notes receivable of RMB264,739,000 (2023: Nil) were measured at amortised cost.

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

	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**2,240,985**	1,748,109
3 to 6 months	**46,942**	15,927
6 to 12 months	**99,722**	215,249
1 to 2 years	**75**	748
Over 2 years	**857**	761
Total	**2,388,581**	1,980,794

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

	2024	2023
	RMB'000	*RMB'000*
At beginning of year	**2,918**	3,327
Impairment losses, net	**1,849**	(19)
Amount written off as uncollectible	**–**	(16)
Exchange realignment	**13**	(374)
At end of year	**4,780**	2,918

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
	RMB'000	*RMB'000*
Current		
Listed equity investments, at fair value	**1,092**	228
Other unlisted investments, at fair value	**1,502,975**	1,595,539
Total – current	**1,504,067**	1,595,767
Non-current		
Unlisted equity investment, at fair value	**618,512**	488,261
Total	**2,122,579**	2,084,028

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 funds. 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

	2024	2023
	RMB'000	*RMB'000*
Trade payables	**503,814**	427,026
Notes payable	**185,486**	340,161
Total	**689,300**	767,187

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:

	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**555,091**	675,331
3 to 6 months	**68,151**	46,860
6 to 12 months	**26,776**	30,033
1 to 2 years	**28,175**	9,091
Over 2 years	**11,107**	5,872
Total	**689,300**	767,187

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 2024, the Group's notes payable were secured by certain of the Group's deposits amounting to RMB46,371,000 (2023: RMB326,390,000).

14 INTEREST-BEARING LOANS AND BORROWINGS

31 December 2024

	Effective interest rate *(%)*	Maturity	*RMB'000*
Current			
Bank loans – secured	**3.00~4.80**	**2025**	2,833,923
US$4,926,973 bank loan – secured	**6.02**	**2025**	35,417
JPY60,000,000 bank loan – secured	**0.70**	**2025**	27,750
Current portion of long-term bank loans – secured	**3.55~5.00**	**2025**	409,805
Current portion of long-term US$115,461,756 bank loan – secured	**SOFR+3.11**	**2025**	829,985
Current portion of long-term other borrowings – secured	**4.85~6.00**	**2025**	196,531
Discounted notes receivable	**0.46~4.50**	**2025**	1,388,428
Discounted letters of credit	**1.26~3.50**	**2025**	832,380
Lease liabilities	**3.25~7.52**	**2025**	19,788
Subtotal – current			6,574,007
Convertible bonds – debt component	**5.85**	**2025**	1,011,067
Total – current			**7,585,074**
Non-current			
Bank loans – secured	**3.55~5.00**	**2026~2029**	**813,670**
Long-term other borrowings – secured	**5.10~6.00**	**2026~2028**	**864,600**
Lease liabilities	**3.25~7.52**	**2026~2028**	**42,167**
Subtotal – non-current			**1,720,437**
Convertible bonds – debt component	**6.25**	**2028**	**1,015,543**
Total – non-current			**2,735,980**
Total			**10,321,054**

31 December 2023

	Effective interest rate *(%)*	Maturity	*RMB'000*
Current			
Bank loans – secured	2.65~5.50	2024	3,036,965
EUR14,063,290 bank loan – secured	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 US$24,528,438 bank loan – secured	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	2025~2028	879,054
US$139,403,682 bank loan – secured	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
Convertible bonds – debt component	6.25	2028	937,875
Total			8,423,947

	2024 ***RMB'000***	2023 *RMB'000*
Analysed into:		
Bank loans and other borrowings repayable:		
Within one year or on demand	**7,585,074**	5,195,754
In the second year	**783,150**	1,321,825
In the third to fifth years, inclusive	**1,952,214**	1,845,682
After five years	**616**	60,686
Total	**10,321,054**	8,423,947

Notes:

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

(i) the pledge of certain of the Group's deposits of RMB165,711,000 (2023: RMB61,761,000);

(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 RMB794,133,000 (2023: RMB460,627,000);

(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 RMB28,950,000 (2023: RMB5,735,000); 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, bear interest at rates ranging from 4.85% to 6.00% per annum and 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 RMB297,004,000 (2023: RMB350,227,000).

15 RELATED PARTY TRANSACTIONS

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

Company	**Relationship**
Steward Cross Pte. Ltd. ("Steward Cross")	Associate
Shandong Quanzhong Biomedical Technology Co., Ltd. ("Shandong Quanzhong")	Associate
Luye Pharma Venture Capital ("LPVC")	Joint venture
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 Pull Valley Winery Management Co., Ltd. ("Pull Valley 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
Shandong Asford Biotechnology Co., Ltd. ("Shandong Asford")	Controlled by the controlling shareholder

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

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
Sales of products to:			
Steward Cross	*(i)*	**8,279**	9,258
Qingdao Luye	*(i)*	**6,223**	13,813
Sales of materials to:			
Yantai Painuo	*(ii)*	**56**	120
Sales of properties to:			
Shandong Asford	*(ii)*	**5,373**	–
Yantai Painuo	*(ii)*	**–**	58,257
Provision of manufacturing service to:			
Yantai Painuo	*(ii)*	**2,114**	2,455
Provision of property management services to:			
Yantai Painuo	*(ii)*	**87**	722
Lease buildings to:			
Yantai Painuo	*(ii)*	**688**	636
Lease equipment to:			
Yantai Painuo	*(ii)*	**3,913**	5,014
Lease buildings and equipment from:			
Biotech Park Development	*(ii)*	**7,901**	5,849
Property management services from:			
Biotech Park Development	*(ii)*	**1,816**	2,469
Research and development services from:			
Biotech Park Development	*(ii)*	**–**	3,052
Purchase of welfare goods from:			
Pull Valley Winery	*(ii)*	**161**	–
Accommodation services from:			
Yunyue Winery	*(ii)*	**74**	74
Payment on behalf by:			
Biotech Park Development	*(iii)*	**8,053**	8,550
Repayment to:			
Biotech Park Development	*(iii)*	**10,688**	10,103
Payment on behalf of:			
Shanghai Sairun	*(iii)*	**930**	2,045
Yantai Painuo	*(iii)*	**1,386**	–
Repayment from:			
Shanghai Sairun	*(iii)*	**930**	2,045
Yantai Painuo	*(iii)*	**1,386**	–
Advances to:			
Shandong Quanzhong	*(iii)*	**788**	–
Advances from:			
Luye Life Sciences	*(iii)*	**–**	4,958
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:

	2024	2023
	RMB'000	*RMB'000*
Other receivables		
Yantai Painuo	**32,662**	86,088
Qingdao Luye	**1,587**	5,702
Steward Cross	**1,279**	2,218
LPVC*	**87,650**	–
Steward Cross	**6,146**	–
Shandong Quanzhong*	**788**	–
Total	**130,112**	94,008
Other payables		
Biotech Park Development*	**2,383**	2,997
Yantai Cellzone	**1,164**	1,164
Total	**3,547**	4,161
Lease liabilities		
Biotech Park Development	**–**	1,190

* 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:

	2024	2023
	RMB'000	*RMB'000*
Short-term employee benefits	**23,666**	29,053
Pension scheme contributions	**1,133**	1,182
Equity-settled share award expense	**10,130**	11,023
Total compensation paid to key management personnel	**34,929**	41,258

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 U.S. and Europe, with a robust pipeline of over 20 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 Good Manufacturing Practice ("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 2024 (the "Reporting Period") and up to the date of this announcement, the Group has persisted in its "innovation-driven" and "internationalization" 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 decrease in total revenue of 1.3% to RMB6,061.4 million, as compared to the year ended 31 December 2023. The decrease in total revenue was mainly due to the decline in revenue from non-product sales such as R&D services. Sales of products increased by RMB62.1 million or 1.1% to RMB5,689.5 million, as compared to the year ended 31 December 2023.

Market Positioning and Key Products

For the 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, 2nd, 4th and 5th largest pharmaceutical markets in China, respectively. The Group's key products portfolio in China includes 6 (Lipusu, Boyounuo, Baituowei, Zepzelca, CMNa and Mimeixin) in oncology therapeutic area, 5 (Seroquel, Ruoxinlin, Rykindo, Meibirui and Jinyouping) 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, Erzofri, 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 sales of product from CNS therapeutic area decreased by 4.8% to RMB1,613.3 million. Sales of product from oncology therapeutic area decreased by 1.8% to RMB2,084.6 million. Sales of product from cardiovascular system therapeutic area decreased by 1.6% to RMB1,660.0 million. Sales of product from metabolism therapeutic area decreased by 13.7% to RMB388.9 million.

The Group's 17 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 only marketed paclitaxel liposome for injection in the world. Its unique formulation allows it to target tumors and lymph nodes and have a longer half-life, making the drug more potent in killing tumor cells, and also safer and better-tolerated. Since its launch, the drug has been widely recognized by physicians and patients in clinical practice, and has also been recommended by multiple authoritative guidelines and consensuses for its efficacy and safety. In November 2024, Lipusu has been included in the regular catalogue of the 2024 China's National Reimbursement Drug List ("NRDL"), covering all of its indications, including non-small-cell lung cancer, ovarian cancer, and breast cancer. The 2024 NRDL will officially take effect on 1 January 2025.

Boyounuo (博優諾)

Boyounuo (bevacizumab injection) was approved to the market by the National Medical Products Administration ("NMPA") in China in April 2021. It is an anti-VEGF humanized monoclonal antibody injection developed by Boan Biotech, a subsidiary of the Company. As of 31 December 2024, Boyounuo has been approved by the NMPA for the treatment of mCRC, advanced metastatic or recurrent non-small cell lung cancer, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer, cervical cancer and hepatocellular carcinoma. In addition, Boyounuo has been included in the NRDL for all indications. For the international market, this product is under Biologics License Application ("BLA") review in Brazil.

Baituowei (百拓維)

Baituowei (goserelin microspheres for injection) is the world's only marketed formulation of long-acting goserelin microspheres. It is indicated for treating prostate cancer in patients requiring androgen deprivation therapy ("ADT"), and treating breast cancer in premenopausal and perimenopausal women that can be treated with hormones. The drug was already included in the 2023 NRDL for its indication to treat prostate cancer. In November 2024, a new indication for breast cancer was included in the 2024 NRDL. The 2024 NRDL will officially take effect on 1 January 2025.

Baituowei was developed on the Group's globally leading microsphere platform. With its upgraded microsphere formulation and improved injection method, the product is able to balance efficacy, safety, and patient experience, providing a more convenient new option for patients. The Group and BeiGene Ltd. ("BeiGene") (NASDAQ: BGNE; HKEX: 06160; SSE: 688235) are working together to commercialize this product in China.

Zepzelca (贊必佳)

Zepzelca is a selective inhibitor of oncogenic transcription. Whilst inhibiting oncogenic transcription and induce tumor cell apoptosis, it also modulate the microenvironment for tumors to further exert its anti-tumor effects. In December 2024, Zepzelca was approved by NMPA of China for marketing through the priority review program. The drug is indicated for the treatment of adult patients with metastatic small cell lung cancer ("SCLC") with disease progression on or after platinum-based chemotherapy.

The drug was also approved by the U.S. Food and Drug Administration ("FDA") through its Accelerated Approval Program in 2020. It has been the only new chemical entity approved by the FDA for the treatment of relapsed SCLC in nearly 28 years since 1997. To date, Zepzelca® has been approved for marketing in 17 countries or regions worldwide. The Group has been granted the rights to develop and commercialize this drug in mainland China, Hong Kong, and Macao, and has received marketing approval for the drug in these three regions.

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 NMPA in China. According to the NMPA, CMNa was the only glycididazole product available for sale as of 31 December 2024. 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.

Mimeixin (米美欣)

Mimeixin was approved to the market by the NMPA in China for the management of severe pain (cancer pain and non-cancer pain) that can only be effectively controlled by opioids in adults in June 2024. Mimeixin is an oral sustained-release tablet combined with oxycodone and naloxone, which exerts analgesic effect through the strong opioid receptor agonist oxycodone, and due to the low oral bioavailability of naloxone, it can directly bind to gastrointestinal opioid receptors to combat oxycodone-induced constipation without affecting the analgesic effect. In addition, Mimeixin employs proprietary drug-locking technology to prevent the grinding, extraction, and conversion of oxycodone, thereby deterring drug abuse. Additionally, naloxone, by antagonizing the activity of oxycodone, can prevent users from experiencing euphoria and induce precipitated withdrawal, a mechanism of action that allows Mimeixin to further mitigate the risk of abuse.

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.

Ruoxinlin (若欣林)

Ruoxinlin (Toludesvenlafaxine Hydrochloride Extended-Release Tablets), as a new chemical entity, was approved to the market by the NMPA in China 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. In November 2024, Ruoxinlin has been included in the regular catalogue of the 2024 NRDL. The 2024 NRDL will officially take effect on 1 January 2025.

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 China 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 2024. 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 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.

Erzofri

Erzofri (paliperidone palmitate) extended-release injectable suspension obtained marketing approval as a new drug under section 505(b)(2) of the Federal Food, Drug and Cosmetic Act (the "505(b)(2) Pathway") in the U.S. in July 2024. It was approved by the FDA for treatment of schizophrenia in adult patients and for treatment of schizoaffective disorder in adults as monotherapy and as an adjunct to mood stabilizers or antidepressants. This drug, administered once per month, is the first patented paliperidone palmitate long acting injection developed by a Chinese company to be approved in the U.S. with independent intellectual property rights. The product was granted a patent in the U.S. (Patent No. 11,666,573) in 2023, which will expire in 2039.

Meibirui (美比瑞)

Meibirui (Paliperidone Palmitate Injection) was approved by the NMPA for the acute and maintenance treatment of schizophrenia in June 2024.

Jinyouping (金悠平)

Jinyouping (Rotigotine Extended-Release Microspheres for Injection) was approved to the market by the NMPA for the treatment of PD in China in June 2024. It is the world's first long-acting extended-release microsphere formulation for the treatment of PD developed by the Group. It can maintain a stable release of rotigotine over seven days which is aligned with the concept of continuous dopaminergic stimulation ("CDS") and overcomes the non physiological and pulsatile stimulation generated by short acting dopaminergic drugs. Additionally, the once-a-week dosing frequency improves patients' medication compliance and makes the long-term management of the disease easier.

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 2024. According to IQVIA, the market for lipid regulating drugs in China was estimated to be approximately RMB12.2 billion in the twelve months of 2024. 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 twelve months of 2024.

Maitongna (麥通納)

Maitongna is sodium aescinate in injectable form and is indicated for the treatment of cerebral edema and edema caused by trauma or surgery as well as for the treatment of venous reflux disorder. According to IQVIA, the market for vasoprotective pharmaceutical products in China was estimated to be approximately RMB3.6 billion in the twelve months of 2024. Maitongna was the best-selling domestically manufactured sodium aescinate product in China and ranked as the second most-used vasoprotective pharmaceutical product domestically manufactured in China in the twelve months of 2024.

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 fourth most-used vasoprotective pharmaceutical product domestically manufactured in China in the twelve months of 2024.

Key products related to metabolism therapeutic area

BeiXi (貝希)

BeiXi 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 twelve-month period of 2024. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB1.1 billion in the twelve-month period of 2024 and BeiXi ranked as the second most popular acarbose product domestically manufactured in China in the twelve months of 2024.

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 of 31 December 2024, the Group's R&D team consisted of 649 employees, including 58 Ph.D. degree holders and 318 master's degree holders in medical, pharmaceutical and other related areas. As of 31 December 2024, the Group had been granted 275 patents and had 82 pending patent applications in the PRC, as well as 580 patents and 124 pending patent applications overseas.

The Group will continue to invest the products in four strategic therapeutic areas – oncology, CNS, cardiovascular and metabolism. As of 31 December 2024, the Group had 23 PRC pipeline product candidates in various stages of development. These candidates included 12 oncology products, 5 CNS products and 6 other products. Also, the Group had 11 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

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 in China.

LY30410 (Rivastigmine Twice Weekly Transdermal Patch): *the world's first patch formulation of Rivastigmine to be administered twice a week 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.

- In June 2024, the Group's partner Towa Pharmaceutical Co., Ltd. (Towa) filed a New Drug Application ("NDA") to the Ministry of Health, Labour and Welfare in Japan for the Rivastigmine Twice Weekly Transdermal Patch for treating mild to moderate dementia associated with AD.

Meibirui (Paliperidone Palmitate Injection): *a long-acting injectable antipsychotic for the treatment of schizophrenia developed by the Group.*

The marketing application was accepted by the Centre for Drug Evaluation ("CDE") of China in December 2022 and this drug has been approved by the NMPA in China in June 2024.

- In June 2024, Meibirui has been approved for marketing by the NMPA in China to be used for the acute and maintenance treatment of schizophrenia.

Jinyouping (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 of China in August 2023 and approved by the NMPA of China in June 2024.

Compared with the currently marketed dopamine receptor agonists ("DAs") that require daily administration, Jinyouping is more aligned with the concept of CDS and overcomes the non-physiological and pulsatile stimulation generated by short acting dopaminergic drugs, and shows obvious characteristics of extended-release formulation which can maintain a stable release of rotigotine over seven days. It also maintains a stable concentration of the active ingredient in the patient's blood, to produce sustained therapeutic effects over several days in a row to truly achieve CDS and reduce adverse reactions arising from concentration fluctuation. Additionally, the once-a-week dosing frequency improves patients' medication compliance and makes the long-term management of the disease easier.

- In June 2024, it has been approved for marketing by the NMPA with a priority review designation for the treatment of Parkinson's disease.

Mimeixin (Oxycodone Hydrochloride and Naloxone Hydrochloride Sustained-release Tablets): *the first oxycodone hydrochloride and naloxone hydrochloride sustained-release tablet approved in China that is locally developed and technically challenging to make.*

Mimexin is an oral sustained-release tablet combined with oxycodone and naloxone, which exerts analgesic effect through the strong opioid receptor agonist oxycodone, and due to the low oral bioavailability of naloxone, it can directly bind to gastrointestinal opioid receptors to combat oxycodone-induced constipation without affecting the analgesic effect. In addition, it employs proprietary drug-locking technology to prevent the grinding, extraction, and conversion of oxycodone, thereby deterring drug abuse. Additionally, naloxone, by antagonizing the activity of oxycodone, can prevent users from experiencing euphoria and induce precipitated withdrawal, a mechanism of action that allows Mimeixin to further mitigate the risk of abuse.

- In June 2024, it has been approved for marketing by the NMPA in China to be used for the management of severe pain (cancer pain and non-cancer pain) that can only be effectively controlled by opioids in adults.

Erzofri (paliperidone palmitate) extended-release injectable suspension: *an innovative formulation of paliperidone palmitate long-acting injection independently developed by the Group.*

It is the first patented paliperidone palmitate long-acting injection developed by a Chinese company to be approved in the U.S. with independent intellectual property rights. The product was granted a patent in the U.S. (Patent No. 11,666,573) in 2023, which will expire in 2039. Erzofri obtained marketing approval as a new drug under the 505(b)(2) Pathway in the U.S.

The development of this drug in Europe is also progressing well, with a plan to be registered and marketed in the global market.

- In January 2024, no patent infringement lawsuit has been filed against the NDA for Erzofri submitted to and accepted by the FDA through the section 505(b)(2) Pathway within the statutory time limit under the U.S. Federal Food, Drug, and Cosmetic Act. This means that it has successfully overcome the patent challenge in its NDA review process.

- In June 2024, the Group has received the Establishment Inspection Report from the U.S. FDA indicating that the manufacturing facility of Erzofri has successfully passed a Pre Approval Inspection (PAI) with No Action Indicated (NAI, no FDA-483).

- In July 2024, Erzofri has received marketing approval from the U.S. FDA for treatment of schizophrenia in adult patients and for treatment of schizoaffective disorder in adults as monotherapy and as an adjunct to mood stabilizers or antidepressants.

LY03020: *a next generation antipsychotic and the first agonist against both the trace amine associated receptor 1 (TAAR1) and the 5-HT_{2C} receptor (5-HT_{2C}R) in the world independently developed by the Group.*

Preclinical studies have demonstrated that LY03020 significantly improves the positive and negative symptoms as well as cognitive impairments associated with schizophrenia, and also significantly improves the positive and negative symptoms of Alzheimer's disease psychosis (ADP), without noticeable risks for extrapyramidal symptoms (EPS) as well as metabolic syndromes like weight gain and abnormal glucose/lipid levels, which have the potential to better meet clinical demand.

- In August 2024, it has obtained the approval from the CDE of China to initiate clinical trials. It is intended to treat schizophrenia and AD psychosis.

- In January 2025, it has obtained the approval from the FDA to initiate clinical trials in the U.S. for treating schizophrenia.

LY03021: *an innovative inhibitor of the norepinephrine transporter NET and the dopamine transporter DAT, as well as a gamma-aminobutyric acid type A receptor-positive allosteric modulator ($GABA_AR$ PAM) intended for the treatment of MDD independently developed by the Group.*

Non-clinical studies have shown that LY03021 significantly inhibited depressive symptoms in animal models 24 hours after administration, and continuous administration could maintain the efficacy until the end of the 21-day study, demonstrating rapid onset and sustained efficacy with long-term and continuous administration. This drug also has a good safety profile, as its NOAEL (no-observed-adverse-effect-level) is 50 times above its effective dose.

- In November 2024, it has obtained the approval from the CDE of China to initiate clinical trials. It is intended for the treatment of MDD.

Zepzelca (Lurbinectedin for Injection): *an innovative selective inhibitor of oncogenic transcription. Whilst inhibiting oncogenic transcription and induce tumor cell apoptosis, it also modulate the microenvironment for tumors to further exert its anti-tumor effects.*

The drug was approved by the FDA through its Accelerated Approval Program in 2020. It has been the only new chemical entity approved by the FDA for the treatment of relapsed SCLC in nearly 28 years since 1997. To date, it has been approved for marketing in 17 countries or regions worldwide. The Group has been granted the rights to develop and commercialize this drug in mainland China, Hong Kong, and Macao, and has received marketing approval for the drug in these three regions.

- In December 2024, Zepzelca was approved for marketing by NMPA through the priority review program. The drug is indicated for the treatment of adult patients with metastatic SCLC with disease progression on or after platinum-based chemotherapy.

LY03015: *an innovative VMAT2 (vesicular monoamine transporter 2) inhibitor and a Sigma-1 receptor agonist, intended for the treatment of tardive dyskinesia ("TD") and Huntington's disease ("HD") independently developed by the Group.*

Preclinical studies show that LY03015 is superior to the marketed VMAT2 inhibitors in terms of vitro and in vivo pharmacologic and pharmacokinetic properties, having no off-target effects and better cardiac safety. A Phase I clinical trial shows that LY03015 is generally safe and well-tolerated with a relatively long half-life, which can be administered orally once a day. Compared with the marketed VMAT2 inhibitors, LY03015 is not metabolized by CYP2D6, thereby reducing the risk of drug interactions mediated by this enzyme.

- In January 2025, LY03015 has completed the enrollment of the first patient in China for a phase 2 clinical trial. The phase 2 clinical trial of LY03015 to be conducted in China is a multicenter, randomized, double-blind, and placebo-controlled study in TD patients.

R&D progress for Boan Biotech's products candidates

Boyoubei (BA6101, 60mg Denosumab Injection): *a human immunoglobulin G2 monoclonal antibody of the RANK ligand and the first biosimilar to Prolia independently developed by Boan Biotech.*

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 2024, Boan Biotech completed the enrollment of all subjects for an international multi-center phase 3 clinical study of denosumab injection in Europe, the U.S., and Japan. 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 this phase 3 clinical study, Boan Biotech can submit BLAs for BA6101 and BA1102 for all the approved indications as Prolia and Xgeva in the U.S., Europe, and Japan, respectively.

Boluojia (BA1102, 120mg Denosumab Injection): *a fully human IgG2 anti-RANKL monoclonal antibody and a biosimilar to Xgeva independently developed by Boan Biotech.*

- In January 2024, Boan Biotech completed the enrollment of subjects for an international multi-center phase 3 clinical study of denosumab injection in Europe, the U.S., and Japan. According to the guidelines by the FDA, EMA and PMDA and based on our discussions with the FDA, EMA and PMDA, after completion of this phase 3 clinical study, Boan Biotech can submit BLAs for BA6101 and BA1102 for all the approved indications as Prolia and Xgeva in the U.S., Europe, and Japan, respectively.

- In May 2024, Boluojia has been approved for marketing by the NMPA in China for the treatment of giant cell tumor of bone ("GCTB") that is unresectable or where surgical resection is likely to result in severe morbidity in adults and skeletally mature adolescents (defined as having at least one mature long bone and with body weight ≥45 kg). At the same time, Boan Biotech is working on the BLA of Boluojia in China for the indications of bone metastases from solid tumors and multiple myeloma.

BA5101 (Dulaglutide Injection): *a long-acting glucagon-like peptide-1 (GLP-1) receptor agonist and a biosimilar to Trulicity independently developed by Boan Biotech.*

BA5101 is intended for glycemic control in adults with type 2 diabetes. It is the first Trulicity biosimilar developed by a Chinese company to be approved for clinical trials in the U.S. It is also the first proposed biosimilar to Trulicity to submit a BLA in China.

- In March 2024, its phase 3 clinical trial (a comparative study of efficacy, safety and immunogenicity) has been completed in China.

- In May 2024, the BLA for this drug has been accepted by the CDE of NMPA in China.

- In August 2024, the U.S. FDA has approved the initiation of clinical trials in the U.S. for BA5101.

BA9101 (Aflibercept Intravitreous Injection): *a recombinant human vascular endothelial growth factor receptor antibody fusion protein ophthalmic injection and a biosimilar to Eylea.*

Aflibercept is widely used as a first-line treatment for Neovascular (Wet) Age-Related Macular Degeneration (nAMD), Diabetic Macular Edema (DME), Macular Edema Following Retinal Vein Occlusion (RVO), Diabetic Retinopathy (DR), Visual Impair due to Myopic Choroidal Neovascularization (mCNV) and Retinopathy of Prematurity (ROP) worldwide, and its future market is promising driven by the demand in the clinical practice.

- In April 2024, its phase 3 clinical trial (a comparative study of efficacy and safety) has been completed in China.

- In July 2024, the BLA for this drug has been accepted by the CDE of NMPA in China.

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

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.

- In January 2024, its phase 2 clinical trial has been initiated.

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

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 2024, BA1301 was granted the Orphan Drug Designations ODD by the FDA for the treatment of gastric cancer, including cancer of gastroesophageal junction.

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

BA1302 is a novel ADC drug targeting CD228. The antibody part of BA1302 is an innovative human anti-CD228 monoclonal antibody derived from Boan Biotech's proprietary human antibody transgenic mice. It binds with the membrane-bound form of CD228 only, not with sMF12, which is the soluble form of CD228. This highly binding specificity reduces the non-specific binding, to ensure higher efficacy and safety. The chemical part of BA1302 is BNLD11, an innovative linker-payload, which has remarkable in vitro and in vivo stability. Structurally, approximately four BNLD11 molecules are conjugated to each antibody molecule on average. This design enhances the drug's cell killing efficiency while minimizing the toxicity associated with payload release, thus striking a balance between therapeutic effects and toxic side effects.

Preclinical studies have shown that BA1302 is very potent in terms of internalization activity and bystander killing effect. It has the potential to treat a broad spectrum of solid tumors as evidenced by its significant cytotoxicity against three types of cancers (i.e. lung cancer, gastric cancer, and melanoma) with CD228 expression ranging from low to high, as well as robust tumor suppression in patient-derived xenograft (PDX) models for multiple types of solid tumors. BA1302 has shown a prolonged half-life, favorable pharmacokinetics, and a good safety and tolerability profile in cynomolgus monkeys, indicating great promise for clinical use.

- In July 2024, BA1302 has been approved to initiate clinical trials for treating multiple types of advanced solid tumors by the CDE of NMPA in China. This is the first CD228 targeted novel ADC drug candidate approved for clinical trials in China.

- In November 2024, the first patient has been dosed in the phase 1 clinical trial of BA1302.

- In March 2025, BA1302 was granted the ODD by the FDA for the treatment of squamous non-small-cell lung cancer and pancreatic cancer respectively.

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 as of 31 December 2024. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,730 distributors that collectively enabled the Group to sell its products to over 22,430 hospitals, which comprised approximately 2,310 or approximately 89.5% of all Class III hospitals, approximately 6,040 or approximately 67.0% of all Class II hospitals and approximately 14,080 or approximately 65.0% of all Class I and other hospitals and medical institutions, in the PRC as of 31 December 2024. 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 2024, Boan Biotech has entered into a partnership with Joincare Pharmaceutical Group Industry Co., Ltd. ("Joincare") in relation to BA2101. In this partnership, Joincare is granted the exclusive right to develop and commercialize BA2101 in Chinese Mainland for treating respiratory diseases such as asthma and chronic obstructive pulmonary disease ("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 has a dedicated marketing team covering the whole country, making it a top player in the field. Through this partnership, Boan Biotech will leverage their respective strengths in R&D and commercialization to accelerate the clinical development of BA2101 for indications such as asthma and COPD.

- 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.

- In November 2024, Boan Biotech has signed a licensing agreement for commercializing denosumab injection (BA6101 and BA1102) in the Brazilian market with a strategic partner.

- In January 2025, Boan Biotech has granted the promotion rights of denosumab injection (BA6101 and BA1102) in Hong Kong SAR and Macau SAR to Kexing Biopharm Co., Ltd. ("Kexing Biopharm").

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 2024, 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. Boan Biotech have received GMP certification from Brazil's Agência Nacional de Vigiláncia Sanitária for biological product, Boyuno, covering the drug substance and the drug product in January 2024. The manufacturing site for transdermal patches in Miesbach, Germany, is running at full capacity and is striving to increase output to address growing customer demands. Several customer audits during the Reporting Period were performed on site and confirmed compliance with GMP standards. New customers were on-boarded during the Reporting Period and their product launches were supported as per customer timelines. Still, Rotigotine patch keeps its position in the German market as the first and so far only alternative option to UCB's Neupro© patch. The product has been launched successfully in further European countries. Significant investments in additional production capacity are under way in the framework of "Project Miesbach 2027" which is running according to project timeline and budget.

Post Results Outlook

During the Reporting Period, the Group recorded a decline of 1.0% in sales of product in the first half of 2024 due to the impact of various new policies on China's domestic pharmaceutical industry. However, with the adjustment of sales strategies and sales team as well as the sales increase in new products, the Group's sales of product in the second half of 2024 achieved a growth of 4.0% compared to that of the second half of 2023 and a growth of 7.2% compared to that of the first half of 2024. The trend of product sales is positively improving.

The Group's new drug pipeline, which has been developed over many years with a focus on the core therapeutic areas of oncology and CNS, is now entering a period of fruition. With the rapid increase in sales of significant new products in recent years, the Group's overall business will entered into a high-growth phase.

The Group anticipates that the following fundamental changes and strategic adjustments will further help the Company achieve high-quality future performance growth and long-term sustainable development.

More than 10 new products approved in the past three years in various countries or regions worldwide, creating a diverse product portfolio that is expected to bring high sales growth

In the oncology therapeutic area, the Group has five new products (Boyounuo, Baituowei, Zepzelca, Mimeixin and Boluojia) approved in China.

In 2021, the Group has received approval for the broad-spectrum anti-tumor product Boyounuo, which has been included in the NRDL. According to the data of IQVIA, the market sales of bevacizumab have already reached to RMB10.0 billion with a growth rate of 21.0% in China in 2024. In 2023, the Group's innovative formulation, Baituowei, has been approved for launch for the treatment of prostate cancer and breast cancer. Data from IQVIA shows that the total size of the market for GnRH agonists in China was approximately RMB11.1 billion in 2024. With its innovative microsphere formulation, Baituowei is able to ensure efficacy and safety while significantly improving patient experience compared to reference product. The Group and BeiGene have entered a strategic partnership for Baituowei's commercialization in China and two indications of this product have been included in the latest NRDL.

During the Reporting Period, our innovative new compound product, Zepzelca, has been approved for launch in mainland China in December 2024. Previously, it has been launched in Hong Kong SAR and Macao SAR. This product is indicated 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.

Furthermore, Boluojia has been approved for GCTB in May 2024 and Mimeixin has been approved for the management of severe pain (cancer pain and non-cancer pain) in June 2024. These two products are medications used across multiple departments in the oncology field, and they have a strong synergistic effect with the Group's previously launched oncology products.

As a strong area for the Group, the oncology field has the potential to generate an incremental annual revenue of over RMB1.0 billion in the short term from the launch of five new products, with a long-term market potential for incremental revenue exceeding RMB5.0 billion.

In the CNS therapeutic area, the Group has five new products (Ruoxinlin, Rykindo, Meibirui, Jinyouping and Rivastigmine Transdermal Patch) approved in mainland China and four new products (Rykindo, Erzofri, Rivastigmine MD and Rotigotine Patch) approved in the U.S. or Europe.

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 require treatment with standard medications. 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.

Our blockbuster antipsychotic drug, Erzofri, has successfully received approval in the U.S. in July 2024. Erzofri is the first patented paliperidone palmitate long-acting injection developed by a Chinese company to be approved in the U.S. with independent intellectual property rights. Paliperidone Palmitate Long-acting Injection generated sales of US$3.125 billion in the U.S. market in 2024 based on publicly available information. The market potential in this field is immense, with few competing products. Erzofri, with its unique product advantages, holds significant market potential and opportunities for growth.

Focusing on Ruoxinlin and Erzofri, the CNS field of the Group also holds a long-term market potential for incremental revenue exceeding RMB5.0 billion.

Mature products are expected to experience stable growth

Focusing on the three therapeutic areas of oncology, CNS, and cardiovascular diseases, the Group has developed four core mature products: Lipusu, Seroquel, Xuezhikang, and Oukai. All four of these products are either exclusive or original innovative products. These products have all been included in the NRDL. Among them, Lipusu has been included in the regular catalogue of the 2024 NRDL in November 2024 with the original payment standard. The 2024 NRDL will officially take effect on 1 January 2025.

With the expansion of the patients, these products will bring sustained and stable growth in the future. The revenue from these products forms the cornerstone of the Group's sustainable development, laying a solid foundation for the growth of future new products.

Optimizing sales model and strategies in response to the broader pharmaceutical market environment, laying the foundation for high-quality sales growth

In line with current trends in the pharmaceutical market, the Group will continue to strengthen the management and control of grassroots sales personnel by the central sales department. The Group will also reduce sales expenses through more efficient sales models, optimize personnel structures, and establish a more comprehensive sales incentive system.

With the launch of many new products, the Group will bring in a management team with experience in sales of innovative drug and expand sales teams in core therapeutic areas. In the field of oncology, with the launch of Zepzelca and Mimeixin, the Group has set up 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.

Continue to optimize product pipeline under development, focusing on core therapeutic areas and increasing the proportion of investment in new molecular innovative drugs

As the R&D investments made over the past decade enter a period of fruition, the Group will continue to prioritize long-term sustainable development. In the short to medium term, the Group anticipates that several biologic products are expected to be launched in China and overseas. Dulaglutide (BA5101) and Aflibercept (BA9101) has filed BLA during the Reporting Period, which could be approved in China in 2025. The international multi-center phase 3 clinical study of Denosumab (BA6101 and BA1102) is progressing well and their BLAs in U.S., EU and Japan are expected to be submitted at the end 2025 or 1H of 2026.

In the long term, the Group has a pipeline of innovative biologics (BA2101, BA1106, BA1202, BA1301 and BA1302) targeting various novel bio-markers in the oncology or autoimmune diseases field, as well as a series of innovative chemical drugs (LY03014, LY03015, LY03017, LY03020 and LY03021) targeting novel bio-markers in the CNS field. Most of these candidates have entered clinical trials.

In terms of license-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 license-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 in the next three years.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group's revenue amounted to approximately RMB6,061.4 million, as compared to RMB6,143.1 million for the year ended 31 December 2023, representing a decrease of approximately RMB81.7 million, or 1.3%. The decrease was mainly attributable to a decrease in sales from certain products as further elaborated below.

For the Reporting Period, the Group's revenue from sales of oncology products decreased to RMB2,084.6 million, as compared to RMB2,122.4 million for the year ended 31 December 2023, representing a decrease of approximately RMB37.8 million, or 1.8%, primarily attributable to decrease in sales of various oncology products during the year.

For the Reporting Period, revenue from sales of cardiovascular system products decreased to RMB1,660.0 million, as compared to RMB1,687.4 million for the year ended 31 December 2023, representing a decrease of approximately RMB27.4 million, or 1.6%, primarily attributable to the decrease 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 RMB388.9 million, as compared to RMB450.4 million for the year ended 31 December 2023, representing a decrease of approximately RMB61.5 million, or 13.7%, 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 decreased to RMB1,613.3 million, as compared to RMB1,694.6 million for the year ended 31 December 2023, representing a decrease of approximately RMB81.3 million or 4.8%.

For the Reporting Period, revenue from sales of other products increased to RMB314.7 million, as compared to RMB188.3 million for the year ended 31 December 2023, representing an increase of approximately RMB126.4 million, or 67.1%, 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 RMB1,938.9 million for the year ended 31 December 2023 to approximately RMB2,017.2 million for the Reporting Period, which accounted for approximately 33.3% of the Group's total revenue for the same year. The Group's increase in cost of sales was mainly attributable to the higher sales of higher cost products for the Reporting Period, as compared to the year ended 31 December 2023.

Gross Profit

For the Reporting Period, the Group's gross profit decreased to RMB4,044.2 million, as compared to RMB4,204.2 million for the year ended 31 December 2023, representing a decrease of approximately RMB160.0 million, or 3.8%. The gross profit margin of 66.7%, decreased from 68.4% for the year ended 31 December 2023, mainly due to higher sales of lower margin products of the Group for the Reporting Period, as compared to the year ended 31 December 2023.

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 decreased to RMB360.0 million, as compared to RMB501.8 million for the year ended 31 December 2023, representing a decrease of approximately RMB141.8 million, or 28.3%. The decrease was mainly attributable to lower bank interest income and no fair value gain adjustment of derivative 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 RMB1,816.4 million, as compared to RMB2,056.2 million for the year ended 31 December 2023, representing a decrease of RMB239.8 million, or 11.7%. The decrease was mainly attributable to lower promotion expenses. As a percentage of revenue, the Group's selling and distribution expenses decreased to 30.0%, as compared to 33.5% for the year ended 31 December 2023.

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 RMB582.0 million, as compared to RMB644.0 million for the year ended 31 December 2023, representing a decrease of approximately RMB62.0 million, or 9.6%. The decrease was mainly due to reduce in staff cost and travelling expenses during the year.

Other Expenses

The Group's other expenses primarily consisted of R&D costs, donations, foreign exchange loss and miscellaneous expenses. For the Reporting Period, the Group's other expenses amounted to approximately RMB604.0 million, as compared to RMB631.1 million for the year ended 31 December 2023, representing a decrease of approximately RMB27.1 million, or 4.3%. 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 RMB561.8 million, as compared to RMB675.5 million for the year ended 31 December 2023, representing a decrease of approximately RMB113.7 million, or 16.8%. The decrease was mainly due to the lower interest on bank and convertible bond interest for the Reporting Period, as compared to the corresponding year ended 31 December 2023.

Income Tax Expense

For the Reporting Period, the Group's income tax expense amounted to RMB194.2 million, as compared to RMB161.0 for the year ended 31 December 2023, representing an increase of RMB33.2 million, or 20.6%. The effective tax rate for the Reporting Period is 23.1%, as compared to 23.0% for the year ended 31 December 2023 mainly contributed to one off tax provision made during the year.

Net Profit

The Group's net profit for the Reporting Period was approximately RMB645.0 million, as compared to RMB539.1 million for the year ended 31 December 2023, representing an increase of approximately RMB105.9 million, or 19.6%.

Liquidity, Financial and Capital Resources

As at 31 December 2024, the Group had net current assets of approximately RMB2,539.0 million, as compared to approximately RMB2,565.5 million as at 31 December 2023. The current ratio of the Group decreased slightly to approximately 1.24 as at 31 December 2024 from approximately 1.32 as at 31 December 2023. The decrease in net current assets was mainly attributable to higher interest-bearing loans and borrowings.

Borrowings and Pledge of Assets

As at 31 December 2024, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB8,294.4 million, as compared to approximately RMB7,486.1 million as at 31 December 2023. Amongst the loans and borrowings, approximately RMB6,574.0 million are repayable within one year, and approximately RMB1,720.4 million are repayable after one year. RMB5,845.7 million of the loans and borrowings of the Group carried interest at fixed interest rate. As at 31 December 2024, the Group's borrowings were primarily denominated in RMB and U.S. dollars, and the cash and cash equivalents were primarily denominated in RMB, Hong Kong dollar and U.S. dollars.

Gearing Ratio

As at 31 December 2024, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to 52.7% from 55.3% as at 31 December 2023. The decrease was primarily due to lower interest-bearing loans and borrowings 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 2024. 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

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 (the "2023 Convertible Bonds") and the listing of the bonds on the SEHK was effective on 7 July 2023. The 2023 Convertible 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.

2024 convertible bonds

On 30 October 2024 and 13 December 2024, the Company issued 5.85 per cent convertible bonds with an aggregate principal amount of US$100,000,000 and US$50,000,000 (together, the "2024 Convertible Bonds"). The 2024 Convertible Bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK$3.672 per share any time on or after 10 December 2024 and 23 January 2025 and up to the close of business on the date falling ten days prior to 29 October 2025. Any convertible bonds not converted will be redeemed on 29 October 2025 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 5.85 per cent per annum, which is payable semi-annually in arrears on 30 January, 30 April, 30 July and 29 October.

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.

Hedging Activities

As at 31 December 2024, 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 2024 (2023: Nil).

CLOSURE OF REGISTER OF SHAREHOLDERS

The Company's annual general meeting will be held on Wednesday, 28 May 2025. For determining eligibility to attend and vote at the annual general meeting, the register of shareholders of the Company will be closed from Friday, 23 May 2025 to Wednesday, 28 May 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting will be Wednesday, 28 May 2025. 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 Thursday, 22 May 2025.

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 2024 and up to the date of this announcement, the Company has complied with all the applicable code provisions set out in Part 2 of 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 calibre 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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities (including treasury shares) of the Company for the Reporting Period. As at 31 December 2024, the Company did not hold any treasury shares.

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 2024 ANNUAL REPORT ON THE WEBSITES OF THE SEHK AND THE COMPANY

In accordance with the requirements under the Listing Rules applicable to the Reporting Period, the 2024 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 SEHK (www.hkexnews.hk) in due course.

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

Hong Kong, 28 March 2025

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