LUYE PHARMA GROUP LTD.

绿 叶 制 药 集 团 有 限 公 司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 02186)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- Revenue increased by RMB203.4 million or 13.1% to RMB1,750.7 million, as compared to the six months ended 30 June 2014.
- Revenue from sales of the Group's five key products increased by RMB261.3 million or 23.1% to RMB1,390.7 million, as compared to the six months ended 30 June 2014.
- Gross profit increased by RMB191.2 million or 14.7% to RMB1,488.3 million, as compared to the six months ended 30 June 2014, and gross profit margin reached 85.0%.
- EBITDA increased by RMB93.9 million or 21.9% to RMB521.8 million, as compared to the six months ended 30 June 2014.
- Profit attributable to shareholders increased by RMB104.3 million or 37.1% to RMB385.4 million, as compared to the six months ended 30 June 2014.
- Earnings per share was RMB11.61 cents compared to RMB10.43 cents for the six months ended 30 June 2014.
- No dividend was proposed for the six months ended 30 June 2015.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Luye Pharma Group Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2015, together with the comparative figures for the corresponding period of 2014, as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**1,750,716**	1,547,333
Cost of sales		**(262,421)**	(250,227)
Gross profit		**1,488,295**	1,297,106
Other income and gains	*5*	**58,965**	41,121
Selling and distribution expenses		**(909,315)**	(797,608)
Administrative expenses		**(83,717)**	(91,745)
Other expenses		**(90,054)**	(76,489)
Finance costs	*7*	**(7,577)**	(25,760)
Share of profit of an associate		**509**	380
PROFIT BEFORE TAX	*6*	**457,106**	347,005
Income tax expense	*8*	**(63,047)**	(60,767)
PROFIT FOR THE PERIOD		**394,059**	286,238
Attributable to:			
Owners of the parent		**385,437**	281,160
Non-controlling interests		**8,622**	5,078
		394,059	286,238
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
— For profit for the period	*10*	**11.61 cents**	10.43 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**394,059**	286,238
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Fair value change on available-for-sale investments	**(1,678)**	99
Exchange differences on translation of foreign operations	**(1,024)**	3,563
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(2,702)**	3,662
Other comprehensive income for the period, net of tax	**(2,702)**	3,662
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**391,357**	289,900
Attributable to:		
Owners of the parent	**382,735**	284,822
Non-controlling interests	**8,622**	5,078
	391,357	289,900

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June	31 December
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**1,126,304**	1,092,151
Advance payments for property, plant and equipment		**26,137**	34,227
Prepayments, deposits and other receivables	*12*	**—**	700,000
Prepaid land lease payments		**188,449**	194,193
Goodwill		**347,356**	347,356
Other intangible assets		**134,545**	145,888
Investment in an associate		**5,855**	5,485
Available-for-sale investments	*13*	**2,212**	2,242
Deferred tax assets		**83,890**	83,259
Total non-current assets		**1,914,748**	2,604,801
CURRENT ASSETS			
Inventories		**223,366**	251,198
Trade and notes receivables	*14*	**1,394,597**	914,130
Prepayments, deposits and other receivables		**67,837**	53,502
Due from related parties	*17(b)*	**5,085**	2,655
Pledged short-term deposits		**322,626**	127,215
Available-for-sale investments	*13*	**1,398,290**	1,845,392
Time deposit with original maturity of over three months		**540,000**	180,000
Cash and cash equivalents		**1,077,420**	151,863
Total current assets		**5,029,221**	3,525,955
CURRENT LIABILITIES			
Trade and notes payables	*15*	**56,362**	59,044
Other payables and accruals		**552,079**	439,576
Interest-bearing loans and borrowings	*16*	**602,977**	304,899
Government grants		**37,795**	37,049
Tax payable		**65,446**	47,688
Total current liabilities		**1,314,659**	888,236
NET CURRENT ASSETS		**3,714,562**	2,637,719
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,629,310**	5,242,520

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)

		As at	
		30 June	31 December
		2015	2014
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	*16*	**558**	638
Government grants		**108,355**	106,605
Deferred tax liabilities		**96,047**	97,717
Total non-current liabilities		**204,960**	204,960
Net assets		**5,424,350**	5,037,560
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**427,269**	427,269
Share premium		**2,936,817**	2,936,817
Reserves		**1,926,247**	1,543,512
		5,290,333	4,907,598
Non-controlling interests		**134,017**	129,962
Total equity		**5,424,350**	5,037,560

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 on 5 May 2004, and delisted since 29 November 2012. On 9 July 2014, the shares of the Company were first listed 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 Unit 3207, 32/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments that have been measured at fair value. The consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (**RMB'000**) except when otherwise indicated.

3. IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new and revised standards effective as of 1 January 2015, noted below:

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010–2012 Cycle	Amendments to a number of International Financial Reporting Standard ("**IFRSs**")
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs

The adoption of these new and revised standards has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT INFORMATION

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

For the six months ended 30 June 2015

	Oncology drugs *RMB'000* (Unaudited)	Cardio-vascular system drugs *RMB'000* (Unaudited)	Alimentary tract and metabolism drugs *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue					
External customers	874,519	456,453	362,837	56,907	1,750,716
Total revenue	874,519	456,453	362,837	56,907	1,750,716
Segment results	363,854	123,234	87,594	4,298	578,980
Other income and gains					58,965
Administrative expenses					(83,717)
Other expenses					(90,054)
Finance costs					(7,577)
Share of profit of an associate					509
Profit before tax					457,106

For the six months ended 30 June 2014

	Oncology drugs *RMB'000* (Unaudited)	Cardio-vascular system drugs *RMB'000* (Unaudited)	Alimentary tract and metabolism drugs *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue					
External customers	701,549	415,373	334,819	95,592	1,547,333
Total revenue	701,549	415,373	334,819	95,592	1,547,333
Segment results	279,839	119,220	83,937	16,502	499,498
Other income and gains					41,121
Administrative expenses					(91,745)
Other expenses					(76,489)
Finance costs					(25,760)
Share of profit of an associate					380
Profit before tax					347,005

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the reporting period.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of drugs	**1,750,716**	1,547,333
Other income and gains		
Interest income	**6,224**	6,491
Government grants	**15,002**	31,053
Investment income	**36,577**	1,678
Others	**1,162**	1,899
	58,965	41,121

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of items of property, plant and equipment	**42,469**	39,997
Amortisation of other intangible assets	**11,970**	12,309
Amortisation of prepaid land lease payments	**2,636**	2,545
Amortisation of long-term deferred expenditure	**—**	250
Research and development costs	**86,035**	69,504
Cost of inventories sold	**262,421**	250,227
Loss on disposal of items of non-current assets	**149**	1,993

7. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**7,562**	25,544
Finance charges payable under a finance lease	**15**	33
Total interest expense	**7,577**	25,577
Others	**—**	183
	7,577	25,760

8. INCOME TAX EXPENSE

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

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
Income tax expense	**66,812**	57,275
Adjustments in respect of income tax of previous years	**(1,432)**	2,576
Deferred tax	**(2,333)**	916
Total tax expense for the period	**63,047**	60,767

9. DIVIDEND

No dividends were declared or paid by the Company during the six months period ended 30 June 2015 (for the six months ended 30 June 2014: US$52,865,878 (equivalent to RMB324,339,000)).

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 period attributable to ordinary equity holders of the parent, and on the weighted average number of ordinary shares in issue during the period, and assuming the capitalization of share premium account to fully issued shares of 2,212,701,935 shares on 19 June 2014 had been completed on 1 January 2014.

The following reflects the income and share data used in the basic earnings per share computation:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent	**385,437**	281,160

	Number of shares for the six months ended 30 June	
	2015	2014
Shares		
Weighted average number of shares in issue during the period	**3,321,073,843**	2,696,572,234

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods.

11. PROPERTY, PLANT AND EQUIPMENT

	As at	
	30 June	31 December
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount at 1 January	**1,092,151**	925,824
Additions	**77,033**	274,450
Depreciation provided during the period/year	**(42,469)**	(79,813)
Disposals	**(411)**	(28,310)
Carrying amount at 30 June/31 December	**1,126,304**	1,092,151

As at 30 June 2015, the Group was applying for certificates of ownership for certain properties with the net book value of RMB1,537,000 (as at 31 December 2014: RMB1,570,000). The Directors are of the opinion that the use of, and the conduct of operating activities at, the properties referred to above have not been affected by the fact the Group had not yet obtained the relevant property title certificates. The Group is not able to assign, transfer or mortgage these assets until such certificates are obtained.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (NON-CURRENT)

In 2014, Shandong Luye Pharmaceutical Co., Ltd., a subsidiary of the Company, entered into a series of share transfer agreements with shareholders of Beijing Jialin Pharmaceutical Co., Ltd. ("**Beijing Jialin**") to conditionally purchase an aggregate of 100% equity interest of Beijing Jialin. As at 31 December 2014, RMB700,000,000 was paid to the shareholders of Beijing Jialin as deposit for the acquisition.

On 1 June 2015, the Group announced the termination of the proposed acquisition of Beijing Jialin. By 12 June 2015, the Group had received the full refund of the deposits, which were paid to the shareholders of Beijing Jialin in relation to the acquisition.

13. AVAILABLE-FOR-SALE INVESTMENTS

	As at	
	30 June	31 December
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Investment in bank financial products, at fair value	**1,398,290**	1,845,392
Non-current		
Listed equity investment, at fair value	**1,712**	1,742
Unlisted investment, at cost	**500**	500
	2,212	2,242

Current available-for-sale investments were structured financial products issued by banks with expected interest rates ranging from 0.35% to 5.0% per annum with a maturity period within six months in the PRC. The fair values of the financial products approximate to their costs plus expected interest.

Non-current available-for-sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon date.

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

The fair value of unlisted investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for the investment, and (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. These investments were stated at cost less any impairment losses.

As at 30 June 2015, investments in bank financial products of RMB300,000,000 (as at 31 December 2014: nil) have been pledged to secure intragroup notes payable.

14. TRADE AND NOTES RECEIVABLES

	As at	
	30 June	31 December
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**860,852**	633,867
Notes receivable	**534,763**	281,128
	1,395,615	914,995
Less: Impairment of trade receivables	**(1,018)**	(865)
	1,394,597	914,130

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

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

	As at	
	30 June	31 December
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 3 months	**784,281**	564,098
Between 3 and 6 months	**50,931**	47,432
Between 6 and 12 months	**23,463**	20,090
Between 1 and 2 years	**483**	791
Over 2 years	**1,694**	1,456
	860,852	633,867

15. TRADE AND NOTES PAYABLES

	As at **30 June 2015** *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
Trade payables	**46,545**	55,704
Notes payable	**9,817**	3,340
	56,362	59,044

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

	As at **30 June 2015** *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
Less than 3 months	**41,220**	26,748
Between 3 and 6 months	**11,853**	25,203
Between 6 and 12 months	**1,986**	5,050
Between 1 and 2 years	**1,029**	1,136
Over 2 years	**274**	907
	56,362	59,044

16. INTEREST-BEARING LOANS AND BORROWINGS

As at 30 June 2015

	Effective interest rate *(%)*	**Maturity**	**Group** ***RMB'000***
Current			
Bank loans — secured			
RMB150,000,000 bank loan	4.85	27 November 2015	**150,000**
US$25,000,000 bank loan	3-Month LIBOR+2.5	1 April 2016	**152,840**
Discounted notes receivables	4.41	29 October 2015	**300,000**
Finance lease payables current portion	2.2	30 June 2016	**137**
			602,977
Non-current			
Finance lease payables	2.2	1 July 2016 – 30 August 2020	**558**
			603,535

As at 31 December 2014

	Effective interest rate *(%)*	Maturity	Group *RMB'000*
Current			
Bank loans — secured			
RMB60,000,000 bank loan	5.6	2 March 2015	60,000
US$40,000,000 bank loan	3-Month LIBOR+2.3	29 June 2015	244,760
Finance lease payables current portion	2.2	31 December 2015	139
			304,899
Non-current			
Finance lease payables	2.2	1 January 2016 – 30 August 2020	638
			305,537

Certain of the Group's bank loans are secured by the pledge of certain of the Group's time deposits as at 31 December 2014 of RMB125,200,000.

17. RELATED PARTY TRANSACTIONS

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

Company	Relationship
Luye Pharmaceutical Investment Co., Ltd ("**Luye Investment**")	Immediate holding company of the Company
Steward Cross Pte. Ltd. ("**Steward Cross**")	Associate of a subsidiary
Shandong International Biological Technology Co., Ltd ("**Shandong Biological Tech**")	Shandong Biological Tech is an entity controlled by a director of the Company
Shandong Boan Biological Technology Co., Ltd ("**Shandong Boan**")	Shandong Boan is a subsidiary wholly-controlled by Shandong Biological Tech

(a) The Group had the following significant transactions with related parties during the six months ended 30 June 2015 and 2014:

		For the six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Loans to Luye Investment		**—**	213,520
Sales of products to Steward Cross	*(i)*	**3,609**	5,112
Prepayment for purchase of buildings to Shandong Biological Tech		**—**	58,000
Sales of inventories to Shandong Boan	*(ii)*	**2,873**	32,746
Sales of machinery and equipment to Shandong Boan		**—**	22,313

Notes:

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

(ii) The inventories sold to Shandong Boan mainly include raw materials for research and development activities.

(b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties as at 30 June 2015 and 31 December 2014:

Due from related parties

	As at	
	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Steward Cross	**1,366**	2,219
Shandong Boan	**3,719**	436
	5,085	2,655

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Consistent with previous year, the Group focuses on developing, producing, marketing and selling innovative pharmaceutical products in three of the largest and fastest growing therapeutic areas in the People's Republic of China (the "**PRC**" or "**China**"), namely oncology, cardiovascular system and alimentary tract and metabolism. The Group's product portfolio consists of 30 products and centres around five key products, four of which have patent protection and are indicated for the treatment or prevention of high prevalence medical conditions, including cancer, cardiovascular diseases and diabetes. During the first six months of 2015, the Group's sales of innovative pharmaceutical products maintained a strong growth momentum as the Group further deepened its market penetration and expanded the market share of its key products. The Group recorded a satisfactory revenue growth of 13.1% for the six months ended 30 June 2015 as compared to the same period in 2014, achieving a much higher growth rate than the average growth rate of the PRC pharmaceutical industry of 6% according to IMS Health Incorporated ("**IMS**"). Moreover, the revenue from sales of the Group's five key products increased by RMB261.3 million or 23.1% to RMB1,390.7 million as compared to six months ended 30 June 2014.

Market Positioning

All of the Group's key products are competitively positioned in one of its three key therapeutic areas and have gained top-ranking market shares measured by revenue. According to IMS, oncology-related pharmaceutical products constituted the third largest market for pharmaceutical products in the PRC in the first six months of 2015. The Group's portfolio of oncology products includes Lipusu, the best-selling domestically-manufactured pharmaceutical product for cancer treatment in China in the first six months of 2015 according to IMS; as well as CMNa, a Class I New Chemical Drug and the only China Food and Drug Administration (the "**CFDA**") approved sensitiser for cancer radiotherapy in China. IMS data showed that cardiovascular system-related pharmaceutical products constituted the second largest market for pharmaceutical products in the PRC in the first six months of 2015. According to IMS, the Group's key cardiovascular system products, Xuezhikang and Maitongna, were the most popular Chinese medicine for the treatment of hypercholesterolaemia and the best-selling domestically-manufactured vasoprotective pharmaceutical product in China in the first six months of 2015, respectively. According to IMS, alimentary tract and metabolism-related pharmaceutical products constituted the largest market for pharmaceutical products in the PRC in the first six months of 2015, and the Group was the third largest domestic pharmaceutical manufacturer of oral diabetic medications in China by revenue in the same period.

For the first six months of 2015, the Group's revenue from sales of oncology products, cardiovascular system products and alimentary tract and metabolism products increased to RMB874.5 million, RMB456.5 million and RMB362.8 million, respectively, representing a growth rate of 24.7%, 9.9% and 8.4% as compared to the first half of the year 2014 for the respective therapeutic areas.

Key Products

The Company believes that the Group's five key products are competitively positioned for high prevalence medical conditions that are expected to grow significantly in China. Revenue from sales of the Group's five key products increased by RMB261.3 million or 23.1% to RMB1,390.7 million as compared to the six months ended 30 June 2014.

Lipusu® (力撲素®)

Lipusu is the Group's proprietary formulation of paclitaxel using an innovative liposome injection delivery vehicle and a chemotherapy treatment of certain types of cancer. According to IMS, the market for oncology pharmaceutical products in the PRC was RMB31.0 billion in the first six months of 2015 and by revenue, Lipusu was the most popular product for cancer treatment as well as the most popular paclitaxel product with a market share of approximately 47.5% in China in the first six months of 2015. As of 30 June 2015, Lipusu represented the first and only paclitaxel liposome product approved for sale globally.

CMNa® (希美納®)

CMNa is sodium glycididazole, a proprietary compound that the Group prepares in injectable form and is indicated for use in connection with radiotherapy for certain solid tumours. It is a Class I New Chemical Drug and the only CFDA approved sensitiser for cancer radiotherapy in China. According to the CFDA, CMNa was the only glycididazole product available for sale in China as of 30 June 2015. An independent third party study 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.

Xuezhikang® (血脂康®)

Xuezhikang is the Group's proprietary Chinese medicine derived from red yeast rice indicated for hypercholesterolaemia and, according to the CFDA, the Group was the only Xuezhikang manufacturer in China as of 30 June 2015. According to IMS, the market for pharmaceutical products indicated for hypercholesterolaemia and the lowering of blood cholesterol triglycerides and low density lipoprotein cholesterol in China was estimated to be approximately RMB4.79 billion in the first six months of 2015. According to IMS, Xuezhikang ranked as the most popular red yeast rice product for the treatment of hypercholesterolaemia in China in the first six months of 2015.

Maitongna® (麥通納®)

Maitongna is sodium aescinate in injectable form and is indicated for the treatment of cerebral oedema and oedema caused by trauma or surgery as well as for the treatment of venous reflux disorder. According to IMS, the market for vasoprotective pharmaceuticals in China was estimated to be approximately RMB0.67 billion in the first six months of 2015. Maitongna was the best-selling sodium aescinate product in China in the first six months of 2015 and ranked as the best-selling domestically manufactured vasoprotective pharmaceutical product in China in the first six months of 2015.

Bei Xi® (貝希®)

Bei Xi is acarbose in capsule form and is indicated for lowering blood glucose in patients with type 2 diabetes mellitus. According to the CFDA, the Group was the only manufacturer of acarbose in capsule form in China as of 30 June 2015. According to IMS, the market for acarbose products in China was estimated to be approximately RMB1.5 billion in the first six months of 2015 and Bei Xi ranked as the third most popular acarbose product in China with a market share of approximately 5.2% in the first six months of 2015.

Research and Development ("R&D")

The Group's R&D activities are organised around three platforms — long-acting and extended release technology, liposome and targeted drug delivery and new compounds. The Group balances clinical development risk by strategically allocating its efforts between proprietary formulations of proven compounds and new chemical entities. 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 30 June 2015, the Group's R&D team consisted of 285 employees, including 35 Ph.D. degree holders and 133 Master's degree holders in medical, pharmaceutical and other related areas. As of 30 June 2015, the Group had been granted 277 patents and had 55 pending patent applications in the PRC, as well as 102 patents and 79 pending patent applications overseas.

Through the Group's three platforms and corresponding R&D capabilities, the Group focuses on R&D projects not only within its core strength therapeutic areas of oncology and alimentary tract and metabolism, but also expands into the central nervous system ("**CNS**") therapeutic area which according to IMS was the fastest growing therapeutic area in China from 2010 to 2014. As of 30 June 2015, the Group had a pipeline of 21 PRC product candidates in various stages of development. These candidates included 7 oncology products, 3 alimentary tract and metabolism products, as well as 11 CNS products.

In March 2015, the Group completed three phase 1 clinical studies in China for ansofaxine hydrochloride extended release tablets, which is expected to be approved as a Class I New Chemical Drug for the treatment of major depressive disorder. The studies had showed that main active metabolite were dose-proportional, and demonstrated a good safety and tolerability profile.

In July 2015, the ansofaxine hydrochloride extended release tablets has obtained the approval from CFDA to commence phase 2 and phase 3 clinical trials.

In addition to the Group's development programmes for the PRC market, the Group also has 4 product candidates at various stages of clinical trials in the United States (the "**U.S.**"). One of these product candidates, Xuezhikang, is already a key cardiovascular system product for the Group in the PRC market and has completed phase II clinical trials in the U.S.. The Group has submitted its Investigational New Drug ("**IND**") application under the category for botanical drug products. The other three candidates are CNS products being concurrently developed for the PRC market and are currently in clinical trials in the U.S.. For two of these product candidates, rotigotine extended release microspheres for injection and risperidone extended release microspheres for injection, the Group has submitted IND applications under section 505(b)(2) of the United States Federal Food, Drug, and Cosmetic Act in order to enable the product candidates to rely on pre-existing third party data in respect of product safety and efficacy. The Group believes this implicates a higher success rate and reduces costs and risks associated with the process. For the other product candidate, ansofaxine hydrochloride extended release tablets, the Group has submitted IND application under the new drug registration route and it is currently undergoing phase I clinical trials.

In May 2015, the Group completed three clinical studies involving a total of 172 patients for risperidone extended release microspheres for injection, a CNS product candidate for the treatment of schizophrenia and/or schizoaffective disorders in the U.S.. The studies demonstrated generally similar pharmacokinetic and safety profiles in U.S. patients and it reaches stable plasma drug level in a much shorter period, as compared to an existing marketed product in the same dosage form. The Group is targeting to obtain regulatory approval for risperidone extended release microspheres for injection in the U.S., Europe and Japan.

In August 2015, the Group completed phase 1 clinical studies for ansofaxine hydrochloride extended release tablets in the U.S.. The results of the phase 1 clinical studies have demonstrated well tolerated and produced good pharmacokinetic profile in the subjects after single and multiple oral administrations within a diversify dose range, which provides a solid basis for further clinical development. Ansofaxine hydrochloride extended release tablets is a new chemical drug within the serotonin-norepinephrine-dopamine triple reuptake inhibitors (SNDRI) group formulated as a single daily oral intake tablets.

The Group also sources new product candidates through collaborations with overseas pharmaceutical companies, research institutions and universities to further broaden its access to proprietary products and leverage its co-development partners' established R&D platforms, thereby minimising the upfront costs and risks associated with early stage product development.

Sales, Marketing and Distribution

The Group has established an extensive nationwide sales and distribution network and sold its products to 30 provinces, autonomous regions and municipalities throughout the PRC in the first six months of 2015. The Group's sales, marketing and distribution functions are conducted through over 60 sales support offices, over 1,300 sales and marketing personnel, a network of approximately 800 third-party promoters and approximately 800 distributors that collectively enabled the Group to sell its products to over 8,500 hospitals, which comprised approximately 1,200 or approximately 66% of all Class III hospitals, approximately 2,800 or approximately 41% of all Class II hospitals and approximately 4,500 or approximately 28% of all Class I and other hospitals and medical institutions, in the PRC in the first six months of 2015.

The Group develops its marketing and promotion strategies centrally in order to maximise its brand recognition and optimise its product positioning in the PRC market. The Group implements its strategies primarily through three internal sales teams that are aligned to its key therapeutic areas. The Group also utilises independent third party promoters where the Group believes their capabilities can be leveraged upon to expand the Group's hospital coverage efficiently. The Group believes this approach enables it to optimise the allocation of its marketing resources. The Group also believes that the alignment of its internal sales team to its therapeutic areas positions it well to conduct specialised academic promotional activities that are specifically tailored to meet the needs of doctors and hospitals, thereby driving the recognition and demand for the Group's products within their respective therapeutic areas. The Group places strong emphasis on academic promotion and carries out various marketing activities throughout China, including organising academic conferences, seminars and symposia, to promote awareness and knowledge of its products in the industry.

In order to competitively position its products, the Group's marketing department establishes marketing strategies for each of its products through market research and analysis and coordinates the various other departments involved in its marketing and promotion activities. In addition, the Group's marketing department is responsible for devising new product pre-marketing strategy, including market research and planning, allocation of marketing resources and, based on new product features and competitive conditions for determining the pricing strategy.

The Group believes that its sales and marketing model and extensive coverage of hospitals and other medical institutions represent a significant competitive advantage and a culmination of both academic promotion 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 also provides a solid foundation for the Group to continue to enhance market awareness of its brand and expand the market reach of its products.

In addition to the Group's continued efforts to strengthen its sales force recruiting, training and management programmes, the Group has also developed an internal management system and a robust compliance programme to manage and support its in-house and external sales and marketing team, as well as its nationwide distribution network.

Outlook

The PRC pharmaceutical industry has grown rapidly in recent years and is expected to continue to do so in the foreseeable future; however, it is a highly competitive industry and inevitably all the pharmaceutical companies are facing intense competition from other market participants.

For the second half of year 2015, the Group will continue to introduce measures to improve its profitability and enhance efficiency in key aspects of its operations. With respect to its sales and marketing activities, the Group will continue to undertake a series of changes and initiatives to enable it to focus its marketing and promotion resources on the regions and products where marketing and promotion expenditure yields higher returns, thereby increasing its overall sales efficiency. The Group also intends to increase its profitability through production efficiency and to continuously upgrade its production facilities. In addition, the Group intends to further strengthen its R&D capabilities and develop its product candidates. In May 2015, the Group completed three clinical studies involving a total of 172 patients for risperidone extended release microspheres for injection, a CNS product candidate for the treatment of schizophrenia and/or schizoaffective disorders in the U.S.. The studies demonstrated generally similar pharmacokinetic and safety profiles in U.S. patients and it reaches stable plasma drug level in a much shorter period, as compared to an existing marketed product in the same dosage form. The Group is targeting to obtain regulatory approval for risperidone extended release microspheres for injection in the U.S., Europe and Japan. In July 2015, the ansofaxine hydrochloride extended release tablets has obtained the approval from the CFDA to commence phase 2 and phase 3 clinical trials. In August 2015, the Group completed phase 1 clinical studies for ansofaxine hydrochloride extended release tablets in the U.S.. The results of the phase 1 clinical studies have demonstrated the well tolerated and produced good pharmacokinetic profile in the subjects after single and multiple oral administrations within a diversify dose range, which provides a solid basis for further clinical development. Ansofaxine hydrochloride extended release tablets is the Group's key central nervous system product candidate,which is being concurrently developed for the U.S., China and other global markets.

Management of the Group is confident that, with the Group's strong competitive positioning of its innovative products, its strong pipeline of product candidates, its proven R&D capabilities and its sales and marketing networks, as well as its capabilities to execute strategic acquisitions, the Group is well positioned to enter a new phase of rapid growth.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2015, the Group's revenue amounted to RMB1,750.7 million, as compared to approximately RMB1,547.3 million for the six months ended 30 June 2014, representing an increase of RMB203.4 million, or 13.1%. The increase is mainly attributable to the sales growth of the Group's key products.

For the six months ended 30 June 2015, the Group's revenue from sales of oncology products increased to RMB874.5 million, as compared to RMB701.5 million for the six months ended 30 June 2014, representing an increase of RMB173.0 million, or 24.7%, primarily attributable to the increase in sales volume of various oncology product of the Group.

For the six months ended 30 June 2015, the Group's revenue from sales of cardiovascular system products increased to RMB456.5 million, as compared to RMB415.4 million for the six months ended 30 June 2014, representing an increase of RMB41.1 million, or 9.9%, primarily attributable to the increase in sales volume of various cardiovascular system products of the Group.

For the six months ended 30 June 2015, the Group's revenue from sales of alimentary tract and metabolism products increased to RMB362.8 million, as compared to RMB334.8 million for the six months ended 30 June 2014, representing an increase of RMB28.0 million, or 8.4%, primarily attributable to the increase in sales volume of various alimentary tract and metabolism products of the Group.

For the six months ended 30 June 2015, the Group's revenue from sales of other products decreased to RMB56.9 million, as compared to RMB95.6 million for the six months ended 30 June 2014, representing a decrease of RMB38.7 million, or 40.5%, this was in line with Group strategy to allocate more resources to the Group's key products.

Cost of Sales

The Group's cost of sales increased from RMB250.2 million for the six months ended 30 June 2014 to RMB262.4 million for the six months ended 30 June 2015, which accounted for 15.0% of the Group's total revenue for the same period in 2014. The primarily driver of the Group's increased cost of sales was the increased sales volumes for the six months ended 30 June 2015, as compared to the same period in 2014.

Gross Profit

For the six months ended 30 June 2015, the Group's gross profit increased to RMB1,488.3 million, as compared to RMB1,297.1 million for the six months ended 30 June 2014, representing an increase of RMB191.2 million, or 14.7%. The increase in the Group's gross profit was broadly in line with its revenue growth. The Group's gross profit margin increased to 85.0% for the six months ended 30 June 2015 from 83.8% for the corresponding period of 2014.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income and investment income. For the six months ended 30 June 2015, the Group's other income and gains increased to RMB59.0 million, as compared to approximately RMB41.1 million for the six months ended 30 June 2014, representing an increase of approximately RMB17.9 million. The increase is mainly attributable to a higher investment income during the six months ended 30 June 2015. The increase is offset by lower level of government grants recognised as income during the six months ended 30 June 2015, as compared to the corresponding period of 2014.

Selling and Distribution Expenses

The Group's selling and distribution expenses consisted of expenses that were directly related to the Group's marketing, promotion and distribution activities. For the six months ended 30 June 2015, the Group's selling and distribution expenses amounted to approximately RMB909.3 million, as compared to RMB797.6 million for the six months ended 30 June 2014, representing an increase of RMB111.7 million, or 14.0%. The increase was mainly attributable to increased promotional activities for the Group's products and a slight increase in staff cost in line with market growth. On the other hand, as a percentage of revenue, the Group's selling and distribution expenses increased from 51.5% for the six months ended 30 June 2014 to 51.9% for the six months ended 30 June 2015, which remained relatively stable.

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 six months ended 30 June 2015, the Group's administrative expenses amounted to RMB83.7 million, as compared to RMB91.7 million for the six months ended 30 June 2014, representing a decrease of approximately RMB8.0 million, or 8.7%. The decrease was mainly due to a one-off listing expense incurred during the six months ended 30 June 2014 and offset by higher staff cost and general operating expenses during the six months ended 30 June 2015.

Other Expenses

The Group's other expenses primarily consisted of its R&D costs, foreign exchange losses, donations, loss on disposals of property, plants and equipment and miscellaneous expenses. For the six months ended 30 June 2015, the Group's other expenses amounted to RMB90.1 million, as compared to approximately RMB76.5 million for the six months ended 30 June 2014, representing an increase of RMB13.6 million, or 17.8%. The increase was mainly due to increased R&D costs, which increased from RMB69.5 million for the six months ended 30 June 2014 to RMB86.0 million for the six months ended 30 June 2015.

Finance Costs

For the six months ended 30 June 2015, the Group's finance costs amounted to RMB7.6 million, as compared to RMB25.8 million for the six months ended 30 June 2014, representing a decrease of approximately RMB18.2 million, or 70.5%. The decrease was mainly due to the lower level of monthly average outstanding bank borrowings during the six months ended 30 June 2015 as compared to the corresponding period of 2014.

Income Tax Expense

For the six months ended 30 June 2015, the Group's income tax expense amounted to RMB63.0 million, as compared to RMB60.8 million for the six months ended 30 June 2014, representing an increase of RMB2.2 million, or 3.6%. The effective tax rate for the six months ended 30 June 2015 and the corresponding period of 2014 was 13.8% and 17.5%, respectively. The decrease in effective tax rate was mainly due to adjustments made in respect of income tax of previous years as well as no additional accrual of withholding tax on the profits of the Company's PRC subsidiaries for the six months ended 30 June 2015.

Net Profit

For the six months ended 30 June 2015, the Group's net profit amounted to RMB394.1 million, as compared to RMB286.2 million for the six months ended 30 June 2014, representing an increase of RMB107.9 million, or 37.7%.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As at 30 June 2015, the Group had net current assets of approximately RMB3,714.6 million, as compared to RMB2,637.7 million as at 31 December 2014. The current ratio of the Group decreased slightly to approximately 3.8 as at 30 June 2015 from 4.0 as at 31 December 2014. The increase in net current assets was mainly attributable to higher level of trade and note receivables which is in line with the growth in revenue, as well as significant increase in cash and cash equivalents as a result of the deposit refund received following the termination of acquisition of Beijing Jialin.

Borrowings

As at 30 June 2015, the Group had an aggregate interest-bearing bank and other borrowings of approximately RMB603.5 million, as compared to RMB305.5 million as at 31 December 2014. Amongst the bank and other borrowings, approximately RMB603.0 million are repayable within one year, and approximately RMB0.5 million are repayable after two years. The increase in bank borrowings is mainly for the working capital of the Company.

Gearing Ratio

As at 30 June 2015, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to 11.1% from approximately 6.1% as at 31 December 2014. The increase was primarily due to an increase in the Group's total borrowings resulting from additional loans taken during the six months ended 30 June 2015.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Company's initial public offering of the Company's shares on the Stock Exchange ("**IPO**") (after deducting the underwriting fees and related expenses) amounted to HK$3,845 million, which are intended to be applied in the manner consistent with that set out in the Company's prospectus dated 26 June 2014.

As at 29 August 2015, the Group had utilised HK$1,026.7 million, representing 26.7% of the net proceeds received by the Company from the IPO. Set out below is a summary of the utilisation of the net proceeds:

Use of proceeds (HK$'MM)	*Amount*	*%*	*Utilised*	*%*	**Unutilised balance as at 29 August 2015**	*%*
To expand the Group's portfolio of pharmaceuticals products	769.0	20.0	NIL	NIL	769.0	20.0
For R&D	769.0	20.0	77.0	2.0	692.0	18.0
For selective acquisition of domestic or international companies	769.0	20.0	NIL	NIL	769.0	20.0
To fund capital expenditure projects to increase production capabilities	769.0	20.0	461.4	12.0	307.6	8.0
To expand sales and marketing networks	192.2	5.0	96.1	2.5	96.1	2.5
To partially repay borrowings under U.S dollar secured loan	192.2	5.0	192.2	5.0	NIL	NIL
For working capital and general corporate purposes	384.6	10.0	200.0	5.2	184.6	4.8

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2015, the Group did not have any significant investments.

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 INTERIM PERIOD

The Group did not have any significant subsequent events after the interim period ended 30 June 2015.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2015.

CORPORATE GOVERNANCE PRACTICES

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

During the six months ended 30 June 2015, the Company has complied with all the applicable code provisions set out in the CG Code, save and except for the following deviation:

Code provision A.2.1 of the CG Code

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

Mr. Liu Dian Bo is the executive chairman of the Company acting in the capacity of the chairman and chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in an experienced and qualified person such as Mr. Liu provides the Company with strong and consistent leadership while allowing for effective and efficient planning and implementation of business decisions and strategies. The Board regularly meets to review the operations of the Company under Mr. Liu's leadership, and does not believe that this arrangement will have a negative influence on the balance of power between the Board and the management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") of Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by of the Company or any of its subsidiaries of any listed securities of the Company for the six months ended 30 June 2015.

AUDIT COMMITTEE

The audit committee of the Company has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited condensed consolidated financial statements and interim results announcement of the Group for the six months ended 30 June 2015 and recommended its adoption by the Board.

In addition, the independent auditor of the Company, Ernst & Young, has reviewed the unaudited interim results for the six months ended 30 June 2015 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE INTERIM RESULTS AND 2015 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.luye.cn), and the 2015 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 August 2015

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 are Mr. PAN Jian, Mr. LIU Dong and Ms. WANG Xin; and the independent non-executive Directors are Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit and Mr. CHOY Sze Chung Jojo.