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 2015

FINANCIAL HIGHLIGHTS

Profit attributable to shareholders increased by RMB149.0 million or 24.6% to RMB754.5 million, as compared to the year ended 31 December 2014.

EBITDA increased by RMB153.0 million or 17.5% to RMB1.0 billion, as compared to the year ended 31 December 2014.

Gross profit increased by RMB25.9 million or 1.3% to RMB2,087.4 million, as compared to the year ended 31 December 2014, and gross profit margin reached 81.4%.

Revenue increased by RMB19.1 million or 0.8% to RMB2,563.1 million, as compared to RMB2,544.0 million for the year ended 31 December 2014. The 2014 revenue is restated as a result of offsetting of certain third party promotion expenses against the revenue for that year. The adjustment did not affect the net profit or the net assets of the Group for the year ended/as at 31 December 2014 or any earlier financial year/end date.

Earnings per share was RMB22.72 cents compared to RMB20.22 cents for the year ended 31 December 2014.

No dividend was proposed for the year ended 31 December 2015.

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 (the "**Group**") for the year ended 31 December 2015, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	**2015** *RMB'000*	2014 *RMB'000* (Restated)
REVENUE	*6*	**2,563,129**	2,543,986
Cost of sales		**(475,717)**	(482,505)
Gross profit		**2,087,412**	2,061,481
Other income and gains	*6*	**165,132**	98,375
Selling and distribution expenses		**(964,097)**	(1,006,259)
Administrative expenses		**(184,821)**	(194,984)
Other expenses		**(190,164)**	(193,786)
Finance costs	*8*	**(15,606)**	(39,661)
Share of profit of an associate		**276**	348
PROFIT BEFORE TAX	*7*	**898,132**	725,514
Income tax expense	*9*	**(133,433)**	(111,068)
PROFIT FOR THE YEAR		**764,699**	614,446
Attributable to:			
Owners of the parent		**754,523**	605,524
Non-controlling interests		**10,176**	8,922
		764,699	614,446
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
— For profit for the year	*10*	**22.72 cents**	20.22 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
PROFIT FOR THE YEAR	**764,699**	614,446
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**74,684**	18,033
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**(76,895)**	(15,892)
Exchange differences on translation of foreign operations	**4,051**	304
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**1,840**	2,445
Other comprehensive income for the year, net of tax	**1,840**	2,445
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**766,539**	616,891
Attributable to:		
Owners of the parent	**756,363**	607,969
Non-controlling interests	**10,176**	8,922
	766,539	616,891

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,196,262**	1,092,151
Advance payments for property, plant and equipment		**48,762**	34,227
Prepayments, deposits and other receivables		**—**	700,000
Prepaid land lease payments		**185,813**	194,193
Goodwill		**347,356**	347,356
Other intangible assets		**126,216**	145,888
Investment in an associate		**4,350**	5,485
Available-for-sale investments	*13*	**3,342**	2,242
Deferred tax assets		**69,377**	83,259
Total non-current assets		**1,981,478**	2,604,801
CURRENT ASSETS			
Inventories		**285,609**	251,198
Trade and notes receivables	*12*	**1,193,103**	914,130
Prepayments, deposits and other receivables		**118,249**	53,502
Due from related parties	*16(b)(i)*	**1,600**	2,655
Pledged time deposits		**266,500**	127,215
Available-for-sale investments	*13*	**1,402,118**	1,845,392
Time deposits with original maturity of over three months		**960,591**	180,000
Cash and cash equivalents		**843,674**	151,863
Total current assets		**5,071,444**	3,525,955
CURRENT LIABILITIES			
Trade and notes payables	*14*	**83,219**	59,044
Other payables and accruals		**366,457**	439,576
Interest-bearing loans and borrowings	*15*	**502,222**	304,899
Government grants		**25,155**	37,049
Tax payable		**64,946**	47,668
Due to related parties	*16(b)(ii)*	**3,428**	—
Total current liabilities		**1,045,427**	888,236

	Notes	2015 RMB'000	2014 RMB'000
NET CURRENT ASSETS		**4,026,017**	2,637,719
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,007,495**	5,242,520
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	*15*	**493**	638
Government grants		**115,150**	106,605
Deferred tax liabilities		**92,321**	97,717
Total non-current liabilities		**207,964**	204,960
Net assets		**5,799,531**	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		**2,299,875**	1,543,512
		5,663,961	4,907,598
Non-controlling interests		**135,570**	129,962
Total equity		**5,799,531**	5,037,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. CORPORATE AND GROUP INFORMATION

Luye Pharma Group Ltd. (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 delisted since 29 November 2012. On 9 July 2014, the Company succeeded its listing on the Main Board of the Stock Exchange of Hong Kong Limited ("**SEHK**").

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

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is Unit 3207, 32/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2015. 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).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs

The adoption of the above revised standards has had no significant financial effect on the financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") issued by the SEHK relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

4. PRIOR YEAR RESTATEMENT

Looking at the substance of the relevant transactions with the third party promoters, the directors of the Company considered that certain of the marketing and promotion expenses paid by the Group to the third party promoters were passed onto the distributors and the relevant expenses should be adjusted and accounted for as a reduction of the revenue earned from the distributors instead of recorded as selling and distribution costs in the consolidated financial statements of the Group. Consequently, the Company's consolidated statement of profit or loss for the year ended 31 December 2014 has been restated to reflect this adjustment.

Impact on the consolidated statement of profit or loss for the year ended 31 December 2014:

	As previously reported	Prior year adjustment	As restated
	RMB'000	*RMB'000*	*RMB'000*
Revenue	3,154,220	(610,234)	2,543,986
Selling and distribution expenses	1,616,493	(610,234)	1,006,259

The above adjustment did not affect the net profit or net assets of the Group as at 31 December 2014 or before.

5. OPERATING SEGMENT INFORMATION

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

Year ended 31 December 2015

	Oncology drugs	**Cardio-vascular system drugs**	**Alimentary tract and metabolism drugs**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue					
External customers	**1,395,446**	**621,348**	**468,146**	**78,189**	**2,563,129**
Total revenue	**1,395,446**	**621,348**	**468,146**	**78,189**	**2,563,129**
Segment results	**657,296**	**239,462**	**203,356**	**23,201**	**1,123,315**
Other income and gains					**165,132**
Administrative expenses					**(184,821)**
Other expenses					**(190,164)**
Finance costs					**(15,606)**
Share of profit of an associate					**276**
Profit before tax					**898,132**

Year ended 31 December 2014

	Oncology drugs *RMB'000* (Restated)	Cardio-vascular system drugs *RMB'000* (Restated)	Alimentary tract and metabolism drugs *RMB'000* (Restated)	Others *RMB'000* (Restated)	Total *RMB'000* (Restated)
Segment revenue					
External customers	1,319,255	660,586	443,761	120,384	2,543,986
Total revenue	1,319,255	660,586	443,761	120,384	2,543,986
Segment results	598,993	253,827	174,083	28,319	1,055,222
Other income and gains					98,375
Administrative expenses					(194,984)
Other expenses					(193,786)
Finance costs					(39,661)
Share of profit of an associate					348
Profit before tax					725,514

6. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

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

	2015 ***RMB'000***	2014 *RMB'000* (Restated)
Revenue		
Sale of drugs	**2,621,019**	2,601,265
Less: Business tax and government surcharges	**(57,890)**	(57,279)
	2,563,129	2,543,986
Other income and gains		
Bank interest income	**21,776**	25,175
Government grants	**62,904**	46,959
Investment income	**76,895**	15,892
Foreign exchange gain, net	**—**	8,780
Others	**3,557**	1,569
	165,132	98,375

7. PROFIT BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**86,280**	79,813
Amortisation of other intangible assets	**23,657**	25,491
Amortisation of prepaid land lease payments	**5,272**	5,141
Amortisation of long-term deferred expenditure	**—**	292
Provision/(reversal of provision) for impairment of trade receivables	**1,458**	(503)
Reversal of provision for impairment of other receivables	**—**	(600)
Listing expenses	**—**	32,749
Operating lease expenses	**15,827**	11,503
Auditors' remuneration	**4,860**	7,360
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	**276,091**	276,352
Pension scheme contributions	**59,851**	54,350
Central Provident Fund in Singapore	**329**	348
Staff welfare expenses	**20,126**	25,452
	356,397	356,502
Other expenses:		
Research and development costs	**170,439**	182,332
Foreign exchange loss, net	**16,139**	—
Donation	**3,288**	6,587
Loss on disposal of items of property, plant and equipment	**—**	3,966
Others	**298**	901
	190,164	193,786

8. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans	**15,576**	39,513
Finance charges payable under a hire purchase contract	**30**	32
Total interest expense	**15,606**	39,545
Others	**—**	116
	15,606	39,661

9. INCOME TAX EXPENSE

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.

The Group calculates the income tax expenses using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expenses are:

	2015	2014
	RMB'000	*RMB'000*
Current tax:		
Income tax charge	**126,818**	113,972
Adjustments in respect of income tax of previous years	**(1,617)**	2,663
Deferred tax	**8,232**	(5,567)
Total tax charge for the year	**133,433**	111,068

10. EARNINGS PER SHARE ATTRIBUTABLE ORDINARY 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 3,321,073,843 (2014: 2,994,929,593) in issue during the year.

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

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Profit attributable to equity holders of the parent	**754,523**	605,524

	Number of shares	
	2015	2014
Shares		
Weighted average number of shares in issue during the year	**3,321,073,843**	2,994,929,593

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year.

11. DIVIDEND

No dividends were declared or paid by the Company during the year ended 31 December 2015.

On 30 May 2014, the Company declared a dividend of US$52,865,878 (equivalent to RMB324,339,000) to Luye Investment.

12. TRADE AND NOTES RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**622,554**	633,867
Notes receivable	**572,673**	281,128
	1,195,227	914,995
Less: Impairment of trade receivables	**(2,124)**	(865)
	1,193,103	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 large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2015	2014
	RMB'000	*RMB'000*
Less than 3 months	**530,615**	564,098
Between 3 and 6 months	**50,876**	47,432
Between 6 and 12 months	**37,347**	20,090
Between 1 and 2 years	**2,145**	791
Over 2 years	**1,571**	1,456
	622,554	633,867

13. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	RMB'000	*RMB'000*
Current		
Investment in bank financial products, at fair value	**1,402,118**	1,845,392
Non-current		
Listed equity investment, at fair value	**2,842**	1,742
Unlisted investment, at cost	**500**	500
	3,342	2,242

Current available-for-sale investments were structured financial products issued by banks with expected interest rates ranging from 2.6% to 4.0% per annum with a maturity period within one year in the PRC. The principals are all protected. 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 investment 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. The investment was stated at cost less any impairment losses.

14. TRADE AND NOTES PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**72,984**	55,704
Notes payable	**10,235**	3,340
	83,219	59,044

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

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**71,221**	26,748
3 to 6 months	**9,751**	25,203
6 to 12 months	**1,420**	5,050
1 to 2 years	**513**	1,136
Over 2 years	**314**	907
	83,219	59,044

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

15. INTEREST-BEARING LOANS AND BORROWINGS

2015

	Effective interest rate *(%)*	**Maturity**	***RMB'000***
Current			
Bank loans — secured			
RMB80,000,000 bank loan	3.77	15 March 2016	80,000
US$25,000,000 bank loan	3-Month LIBOR+1.8	1 April 2016	162,340
US$40,000,000 bank loan	12-Month LIBOR+0.75	28 July 2016	259,744
Finance lease payables, current portion	2.2	31 December 2016	138
			502,222
Non-current			
Finance lease payables	2.2	1 January 2017 – 30 August 2020	493
			502,715

2014

	Effective interest rate *(%)*	Maturity	*RMB'000*
Current			
Bank loans — secured			
RMB60,000,000 bank loan	5.60	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:

(i) the pledge of certain of the Group's time deposits as at 31 December 2015 of RMB266,500,000 (2014: RMB125,200,000); and

(ii) the pledge of certain of the Group's trade receivables as at 31 December 2015 of RMB80,000,000 (2014: Nil).

16. 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
Luye Pharma Holdings Ltd.	Intermediate holding company
Steward Cross Pte. Ltd. ("**Steward Cross**")	Associate
Shandong International Biological Technology Co., Ltd. ("**Shandong Biological Tech**")	An entity controlled by a director of the Company
Shandong Boan Biological Technology Co., Ltd. ("**Shandong Boan**")	A subsidiary wholly controlled by Shandong Biological Tech

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

	Notes	2015 RMB'000	2014 RMB'000
Sales of products to Steward Cross	*(i)*	**4,886**	10,526
Loans to Luye Investment		**—**	213,520
Payment for purchase of buildings to Shandong Biological Tech		**—**	105,863
Sales of inventories to Shandong Boan	*(ii)*	**2,873**	36,063
Sales of machinery and equipment to Shandong Boan		**—**	23,236

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 sales to Shandong Boan were made on terms equivalent to those that prevail in arm's length transactions.

(b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties:

(i) Due from related parties

	2015 RMB'000	2014 RMB'000
Steward Cross	**1,600**	2,219
Shandong Boan	**—**	436
	1,600	2,655

(ii) Due to related parties

	2015 RMB'000	2014 RMB'000
Shandong Boan	**3,428**	—
	3,428	—

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group focuses on developing, producing, marketing and selling innovative pharmaceutical products in three of the largest and fast growing therapeutic areas in the People's Republic of China ("**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 year ended 31 December 2015, the Group's sales of innovative pharmaceutical products maintained a stable growth momentum as the Group further deepened its market penetration and expanded the market share of its key products. The Group recorded a stable revenue growth of 0.8% in 2015 as compared to 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 Health Incorporated ("**IMS**"), oncology-related pharmaceutical products constituted the third largest market for pharmaceutical products in the PRC in 2015. The Group's portfolio of oncology products includes Lipusu, the best-selling pharmaceutical product for cancer treatment in China in 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 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 2015, respectively. According to IMS, alimentary tract and metabolism related pharmaceutical products constituted the largest market for pharmaceutical products in the PRC in 2015. According to IMS, the Group was the third largest domestic pharmaceutical manufacturer of oral diabetic medications in China in 2015 by revenue. For the year ended 31 December 2015, the Group's revenue from sales of oncology products and alimentary tract and metabolism products increased to RMB1,395.4 million and RMB468.1 million, respectively, representing a growth rate of 5.8% and 5.5% as compared to the year ended 31 December 2014 for the respective therapeutic areas. The Group's revenue from sales of cardiovascular system products and other products achieved RMB621.3 million and RMB78.2 million, respectively in 2015 representing a decrease of 5.9% and 35.1% as compared to 2014.

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 stably in China.

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 RMB60.3 billion in 2015 and by revenue, Lipusu was the most popular pharmaceutical product for cancer treatment, in China in 2015, as well as the most popular paclitaxel product in China in 2015 with a market share of approximately 48.9%. As of 31 December 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 31 December 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 31 December 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 RMB10.2 billion in 2015. According to IMS, Xuezhikang ranked as the most popular Chinese medicine for the treatment of hypercholesterolaemia in China in 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 pharmaceutical products in China was estimated to be approximately RMB1.58 billion in 2015. Maitongna was the best-selling sodium aescinate product in China in 2015 and ranked as the best-selling domestically manufactured vasoprotective pharmaceutical product in China in 2015, according to IMS, with a market share of approximately 66.2% in 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 31 December 2015. According to IMS, the market for acarbose products in China was estimated to be approximately RMB3.0 billion in 2015 and Bei Xi ranked as the third most popular acarbose product in China with a market share of approximately 5.3% in 2015.

Research and Development ("R&D")

The Group's R&D activities are organized 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 31 December 2015, the Group's R&D team consisted of 301 employees, including 41 Ph.D. degree holders and 151 Master's degree holders in medical, pharmaceutical and other related areas. As of 31 December 2015, the Group had been granted 288 patents and had 51 pending patent applications in the PRC, as well as 115 patents and 70 pending patent applications overseas.

Through the Group's three platforms and the 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 one of the fastest growing therapeutic areas in China from 2013 to 2015 with a CAGR of 11.7%. As of 31 December 2015, the Group had a pipeline of 21 PRC product candidates in various stages of development. These candidates included 8 oncology products, 3 alimentary tract and metabolism products, as well as 10 CNS products.

In July 2015, the Group's product candidate, ansofaxine hydrochloride extended release tablets ("**LY03005**"), a Class 1.1 New Chemical Drug for the treatment of major depressive disorder has obtained the approval from the CFDA to commence phase 2 and phase 3 clinical trials. The approval for the commencement of phase 2 and phase 3 clinical trials for LY03005 is expected to provide an impetus to the Group's product development in the CNS therapeutic area and to further enrich the Group's product portfolio in the future. The phase 2 clinical trial has already started.

In August 2015, the Group has completed two phase 1 clinical studies for LY03005, in the United States ("**U.S.**"). The Group holds 14 patents over the chemical compound, crystal form and formulation of LY03005 in China and internationally.

In October 2015, the Food and Drug Administration ("**FDA**") has confirmed the Company's New Drug Application ("**NDA**") submission in the U.S. via a pathway under section 505(b)(2) of the United States Federal Food, Drug and Cosmetic Act for an investigational drug product of risperidone extended-release microspheres for injection ("**LY03004**") without additional clinical trials. This will significantly cut down costs and time required for obtaining FDA approval for LY03004. The Company is currently preparing the NDA report for LY03004.

In December 2015, the Group has completed two phase 1 clinical studies for rotigotine extended release microspheres for injection ("**LY03003**"), an investigational drug product for the treatment of Parkinson's disease, in the U.S.. LY03003 is one of the Group's key central nervous system product candidates developed based on the Group's long acting and extended-release formulation platform. To the best knowledge of the Group, LY03003 is the first product worldwide to produce long term Continuous Dopamine Stimulation (CDS), and it can improve efficacy and/or reduce side effects especially for the "on-off" effect.

In March 2016, the Group's product candidate, Goserelin Acetate Extended Release Microspheres for Injection ("**LY01005**"), has obtained the approval from the U.S. FDA to initiate clinical trials for the treatment of carcinoma of the prostate. The Group believes that LY01005 has a good marketing potential and will provide an impetus to the Group's development in the oncology therapeutic area.

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 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 1,000 distributors that collectively enabled the Group to sell its products to over 10,000 hospitals, which comprised approximately 1,220 or approximately 67% of all Class III hospitals, approximately 2,950 or approximately 43% of all Class II hospitals and approximately 6,000 or approximately 37% of all Class I and other hospitals and medical institutions, in the PRC in 2015. The Group develops its marketing and promotion strategies centrally in order to maximize its brand recognition and optimize 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 believes that the alignment of its internal sales team to its therapeutic areas positions it well to conduct specialized 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 organizing 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, pricing strategy. The Group believes that its sales and marketing model and extensive coverage of hospitals with 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 through enhanced recruitment, 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

Due to policy and market factors, the Chinese pharmaceutical industry's growth rate has decreased significantly in these two years and is expected to continue in the near future. It is a highly competitive industry and inevitably all the pharmaceutical companies are facing intense competition from other market participants. For 2016, 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.

As described above, in July 2015, the Group's product candidate, LY03005, a Class 1.1 New Chemical Drug, has obtained the approval from the China Food and Drug Administration ("**CFDA**") to commence phase 2 and phase 3 clinical trials. The approval is expected to provide an impetus to the Group's product development in the central nervous system (CNS) therapeutic area and to further enrich the Group's product portfolio in the future. In August 2015, the Group has completed two phase 1 clinical studies for LY03005 in the U.S.. The results of these two phase 1 clinical studies have demonstrated that LY03005 treatment was well tolerated and produced good pharmacokinetic profile in the subjects, which provides a solid basis for further clinical development. In October 2015, the FDA has confirmed the Company's NDA submission in the U.S. via a pathway under section 505(b)(2) of the United States Federal Food, Drug and Cosmetic Act for an investigational drug product of LY03004 without additional clinical trials. This will significantly cut down costs and time required for obtaining FDA approval for LY03004. In December 2015, the Group has completed two phase 1 clinical studies for rotigotine extended release microspheres for injection ("**LY03003**"), LY03003 is the first product worldwide to produce long term Continuous Dopamine Stimulation ("**CDS**"), and it can improve efficacy and/or reduce side effects especially for the "on-off" effect. The drug is expected to provide an impetus to the Group's product development in the global CNS therapeutic area. In March 2016, the Group's product candidate, LY01005, has obtained the approval from the U.S. FDA to initiate clinical trials for the treatment of carcinoma of the prostate. The Group believes that LY01005 has a good marketing potential and will provide an impetus to the Group's development in the oncology therapeutic area.

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 year ended 31 December 2015, the Group's revenue amounted to RMB2,563.1 million, as compared to approximately RMB2,544.0 million for the year ended 2014, representing an increase of RMB19.1 million, or 0.8%. The lower increase in sales is mainly attributable to the overall economic slowdown in China.

For the year ended 31 December 2015, the Group's revenue from sales of oncology products increased to RMB1,395.4 million, as compared to RMB1,319.3 million for the year ended 31 December 2014, representing an increase of RMB76.1 million, or 5.8%, primarily attributable to the increase in sales volume of ours key oncology product, the increased was offset by lower sales of few non key products, this was in line with Group strategy to allocate more resources to the Group's key products.

For the year ended 31 December 2015, the Group's revenue from sales of cardiovascular system products decreased to RMB621.3 million, as compared to RMB660.6 million the year ended 31 December 2014, representing a decrease of RMB39.3 million, or 5.9%, primarily attributable to the lower sales of few non-key products, this was in line with Group strategy to allocate more resources to the Group's key products.

For the year ended 31 December 2015, the Group's revenue from sales of alimentary tract and metabolism products increased to RMB468.1 million, as compared to RMB443.8 million the year ended 31 December 2014, representing an increase of RMB24.3 million, or 5.5%, primarily attributable to the increase in sales volume of various key alimentary tract and metabolism products of the Group, the increased was offset by lower sales of few non-key products, this was in line with Group strategy to allocate more resources to the Group's key products.

For the year ended 31 December 2015, the Group's revenue from sales of other products decreased to RMB78.2 million, as compared to RMB120.4 million the year ended 31 December 2014, representing a decrease of RMB42.2 million, or 35.1%, 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 decreased from RMB482.5 million the year ended 31 December 2014 to RMB475.7 million the year ended 31 December 2015, which accounted for 18.6% of the Group's total revenue for the year. The primarily driver of the Group's decreased in cost of sales was attributable to improved economies of scale, and since some of the products then manufactured by our subcontracting manufacturers is currently manufactured at the Group's new facilities.

Gross Profit

For the year ended 31 December 2015, the Group's gross profit increased to RMB2,087.4 million, as compared to RMB2,061.5 million the year ended 31 December 2014, representing an increase of RMB25.9 million, or 1.3%. The increase in the Group's gross profit was broadly in line with its revenue growth. The Group's gross profit margin increased to 81.4% the year ended 31 December 2015 from 81.0% the year ended 31 December 2014.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income and investment income. For the year ended 31 December 2015, the Group's other income and gains increased to RMB165.1 million, as compared to approximately RMB98.4 million the year ended 31 December 2014, representing an increase of approximately RMB66.7 million. The increase is mainly attributable to a higher investment income and government grants for the year ended 31 December 2015. The Group has utilised the proceeds from initial public offering of the Company's shares on SEHK ("**IPO**") for better investment and cash return management.

Selling and Distribution Expenses

The Group's selling and distribution expenses consisted of expenses that were directly related to the Group's marketing, promotion and distribution activities. For the year ended 31 December 2015, the Group's selling and distribution expenses amounted to approximately RMB964.1 million, as compared to RMB1,006.3 million the year ended 31 December 2014, representing a decrease of RMB42.2 million, or 4.2%. The decrease was mainly attributable to decreased in promotional activities for the Group's products and decline in staff cost as part of the Group sales team reform. On the other hand, as a percentage of revenue, the Group's selling and distribution expenses decreased from 39.6% the year ended 31 December 2014 to 37.6% the year ended 31 December 2015, which has shown the Group determination to reduce and control it cost.

Administrative Expenses

The Group's administrative expenses primarily consisted of staff cost, general operating expense, conference and entertainment expense, travel and transportation expense, depreciation, amortisation and impairment loss, auditor's remuneration, consulting expenses, bank charges, taxation and other administrative expenses. For the year ended 31 December 2015, the Group's administrative expenses amounted to RMB184.8 million, as compared to RMB195.0 million the year ended 31 December 2014, representing a decrease of approximately RMB10.2 million, or 5.2%. The decrease was mainly due to a one-off listing expense incurred for the year ended 31 December 2014 and offset by higher staff cost and general operating expenses the year ended 31 December 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 year ended 31 December 2015, the Group's other expenses amounted to RMB190.2 million, as compared to approximately RMB193.8 million for the year ended 31 December 2014, representing a decrease of RMB3.6 million, or 1.9%. The decrease was mainly due to decreased R&D costs. The decrease is offset by higher of the other expenses during the year ended 31 December 2015.

Finance Costs

For the year ended 31 December 2015, the Group's finance costs amounted to RMB15.6 million, as compared to RMB39.7 million for the year ended 31 December 2014, representing a decrease of approximately RMB24.1 million, or 60.7%. The decrease was mainly due to the lower level of monthly average outstanding bank borrowings during the year as compared to the corresponding year of 2014.

Income Tax Expense

For the year ended 31 December 2015, the Group's income tax expense amounted to RMB133.4 million, as compared to RMB111.1 million for the year ended 31 December 2014, representing an increase of RMB22.3 million, or 20.1%. The effective tax rate for the year ended 31 December 2015 and the year ended 31 December 2014 was 14.9% and 15.3%, respectively.

Net Profit

For the year ended 31 December 2015, the Group's net profit amounted to RMB764.7 million, as compared to RMB614.4 million for the year ended 31 December 2014, representing an increase of RMB150.3 million, or 24.5%.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net Current Assets

As at 31 December 2015, the Group had net current assets of approximately RMB4,026.0 million, as compared to RMB2,637.7 million as at 31 December 2014. The current ratio of the Group increased slightly to approximately 4.9 as at 31 December 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 the acquisition of Beijing Jialin Pharmaceutical Co., Ltd. ("**Beijing Jialin**").

Borrowings and Pledge of Assets

As at 31 December 2015, the Group had an aggregate interest-bearing bank and other borrowings of approximately RMB502.7 million, as compared to RMB305.5 million as at 31 December 2014. Amongst the bank and other borrowings, approximately RMB502.2 million are repayable within one year, and approximately RMB0.5 million are repayable after one year. The increase in bank borrowings is mainly for the working capital of the Company. The bank loans were secured by the Group's time deposits.

Gearing Ratio

As at 31 December 2015, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to 8.7% 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 year.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Company's 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 March 2016, the Group had utilised HK$1,339.7 million, representing 34.8% 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*	*%*	**Unutilized balance as at 29 March 2016**	*%*
To expand the Group's portfolio of pharmaceuticals products	769.0	20.0	NIL	NIL	769.0	20.0
For research and development	769.0	20.0	170.0	4.4	599.0	15.6
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	581.4	15.1	187.6	4.9
To expand sales and marketing networks	192.2	5.0	115.3	3.0	76.9	2.0
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	280.8	7.3	103.8	2.7

FINAL DIVIDEND

The Board did not propose any dividend for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Wednesday, 8 June 2016 ("**AGM**"). For determining the shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 6 June 2016 to Wednesday, 8 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents, accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 3 June 2016.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

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

During the year ended 31 December 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.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2015.

AUDIT COMMITTEE

The audit committee has reviewed together with the Board the accounting principles and policies adopted by the Group, the audited annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2015. The audit committee also approved the annual results and the consolidated financial statements for the year ended 31 December 2015 and submitted them to the Board for approval.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2015 ANNUAL REPORT

In accordance with the requirements under the Listing Rules applicable to the reporting period, the 2015 annual report containing all the information about the Company set out in this announcement including the financial results for the year ended 31 December 2015 will be posted on the Company's website (*www.luye.cn*) and the website of SEHK (*www.hkexnews.hk*) in due course.

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

Hong Kong, 29 March 2016

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