LUYE PHARMA GROUP LTD.

绿叶制药集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 02186)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Revenue increased by RMB53.3 million or 1.9% to RMB2,904.1 million, as compared to the six months ended 30 June 2022.
- Gross profit decreased by RMB106.7 million or 5.2% to RMB1,943.4 million, as compared to the six months ended 30 June 2022, and gross profit margin was 66.9%.
- Net profit decreased by RMB157.8 million or 52.0% to RMB145.4 million, as compared to the six months ended 30 June 2022.
- Profit attributable to shareholders decreased by RMB147.0 million or 49.5% to RMB150.0 million, as compared to the six months ended 30 June 2022.
- EBITDA decreased by RMB48.7 million or 5.3% to RMB867.3 million, as compared to the six months ended 30 June 2022.
- Earnings per share was RMB4.06 cents, as compared to RMB8.54 cents for the six months ended 30 June 2022.
- No interim dividend was proposed by the Board for the six months ended 30 June 2023.

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 2023, together with the comparative figures for the corresponding period of 2022, as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**2,904,108**	2,850,826
Cost of sales		**(960,745)**	(800,742)
Gross profit		**1,943,363**	2,050,084
Other income and gains	*5*	**328,617**	141,924
Selling and distribution expenses		**(1,115,245)**	(838,152)
Administrative expenses		**(297,344)**	(266,183)
Other expenses		**(323,798)**	(498,757)
Finance costs	*7*	**(306,837)**	(214,111)
Share of profit of an associate		**232**	568
PROFIT BEFORE TAX	*6*	**228,988**	375,373
Income tax expense	*8*	**(83,634)**	(72,187)
PROFIT FOR THE PERIOD		**145,354**	303,186
Attributable to:			
Owners of the parent		**149,977**	296,997
Non-controlling interests		**(4,623)**	6,189
		145,354	303,186
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic (RMB)		**4.06 cents**	8.54 cents
Diluted (RMB)		**4.06 cents**	8.54 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**145,354**	303,186
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**66,270**	(35,960)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**7,674**	(5,237)
Income tax effect	**85**	481
	7,759	(4,756)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**74,029**	(40,716)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**219,383**	262,470
Attributable to:		
Owners of the parent	**223,880**	256,281
Non-controlling interests	**(4,497)**	6,189
	219,383	262,470

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,344,028**	4,255,990
Advance payments for property, plant and equipment and other intangible assets		**359,181**	319,829
Right-of-use assets		**331,762**	333,307
Goodwill		**1,043,512**	1,003,371
Other intangible assets		**6,209,046**	5,984,684
Investment in an associate		**7,809**	7,781
Long-term receivables		**8,616**	8,600
Equity investments designated at fair value through other comprehensive income		**112,511**	100,952
Financial assets at fair value through profit or loss		**478,263**	1,005,351
Pledged time deposits		**150,000**	330,000
Deferred tax assets		**146,423**	113,947
Total non-current assets		**13,191,151**	13,463,812
CURRENT ASSETS			
Inventories		**803,605**	772,939
Trade and notes receivables	*11*	**2,186,653**	1,783,686
Prepayments, other receivables and other assets		**455,477**	1,033,093
Financial assets at fair value through profit or loss		**2,107,382**	1,973,824
Restricted cash		**—**	32,003
Pledged time deposits		**1,756,457**	1,619,828
Time deposits with original maturity of over three months		**1,326,700**	1,246,700
Cash and cash equivalents		**4,472,767**	2,323,740
Total current assets		**13,109,041**	10,785,813
CURRENT LIABILITIES			
Trade and notes payables	*12*	**665,147**	559,944
Other payables and accruals		**2,762,950**	1,840,118
Interest-bearing bank and other borrowings	*13*	**6,265,147**	5,377,982
Convertible bonds — debt component	*13, 14*	**1,494,372**	1,461,806
Convertible bonds — embedded derivative instrument	*14*	**19,662**	87,705
Government grants		**23,362**	26,449
Tax payable		**177,068**	133,199
Total current liabilities		**11,407,708**	9,487,203
NET CURRENT ASSETS		**1,701,333**	1,298,610
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,892,484**	14,762,422

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,892,484**	14,762,422
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**2,107,501**	2,264,731
Employee defined benefit obligation		**2,137**	2,015
Government grants		**161,144**	174,965
Deferred tax liabilities		**47,733**	56,034
Other non-current liabilities		**379,664**	1,222,955
Total non-current liabilities		**2,698,179**	3,720,700
Net assets		**12,194,305**	11,041,722
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**486,107**	456,953
Treasury shares		**—**	(279,558)
Share premium		**3,691,081**	3,076,828
Reserves		**7,157,620**	6,921,731
		11,334,808	10,175,954
Non-controlling interests		**859,497**	865,768
Total equity		**12,194,305**	11,041,722

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. CORPORATE INFORMATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 was approved and authorised by the board of directors on 29 August 2023.

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 has been delisted since 29 November 2012. On 9 July 2014, the Company succeeded its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

In the opinion of the directors, the ultimate holding company of the Company is Luye Life Sciences Group Ltd., which is incorporated in Bermuda.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

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

Impact on the interim condensed consolidated statement of financial position:

		Increase/(decrease)		
		As at 30 June 2023	As at 31 December 2022	As at 1 January 2022
	Note	***RMB'000***	*RMB'000*	*RMB'000*
Liabilities				
Deferred tax liabilities	*(i)*	**201**	—	—
Total non-current liabilities		**201**	—	—
Total liabilities		**201**	—	—
Net assets		**(201)**	—	—
Equity				
Retained profits (included in reserves)		**(201)**	—	—
Equity attributable to owners of the parent		**(140)**	—	—
Non-controlling interests		**(61)**	—	—
Total equity		**(201)**	—	—

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

Impact on the interim condensed consolidated statement of profit or loss:

	Increase/(decrease)	
	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Income tax expense	**201**	—
Profit for the period	**(201)**	—
Attributable to:		
Owners of the parent	**(140)**	—
Non-controlling interests	**(61)**	—
	(201)	—
Total comprehensive income for the period	**(201)**	—
Attributable to:		
Owners of the parent	**(140)**	—
Non-controlling interests	**(61)**	—
	(201)	—

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

4. OPERATING SEGMENT INFORMATION

The Group manages its businesses by type of products. The Group's chief operating decision maker is the Chief Executive Officer, who reviews revenue from and results of the major type of products sold for the purpose of resources 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.

For the six months ended 30 June 2023 (Unaudited)

	Oncology drugs *RMB'000*	Cardio-vascular system drugs *RMB'000*	Alimentary tract and metabolism drugs *RMB'000*	Central nervous system drugs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue						
Sales of products	**809,995**	**977,933**	**247,116**	**670,572**	**78,916**	**2,784,532**
Provision of research and development services	**32,146**	**—**	**—**	**9,778**	**9,484**	**51,408**
Out-licensing agreements	**68,168**	**—**	**—**	**—**	**—**	**68,168**
Total revenue	**910,309**	**977,933**	**247,116**	**680,350**	**88,400**	**2,904,108**
Segment results	**307,256**	**325,520**	**40,481**	**147,918**	**6,943**	**828,118**
Other income and gains						**328,617**
Administrative expenses						**(297,344)**
Other expenses						**(323,798)**
Finance costs						**(306,837)**
Share of profit of an associate						**232**
Profit before tax						**228,988**

For the six months ended 30 June 2022 (Unaudited)

	Oncology drugs *RMB'000*	Cardio-vascular system drugs *RMB'000*	Alimentary tract and metabolism drugs *RMB'000*	Central nervous system drugs *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue						
Sales of products	600,605	783,446	322,716	575,607	64,405	2,346,779
Sales of product know-how	400,000	—	—	—	—	400,000
Provision of research and development services	24,384	3,615	—	—	—	27,999
Out-licensing agreements	—	—	—	76,048	—	76,048
Total revenue	1,024,989	787,061	322,716	651,655	64,405	2,850,826
Segment results	571,726	278,888	62,791	271,159	27,368	1,211,932
Other income and gains						141,924
Administrative expenses						(266,183)
Other expenses						(498,757)
Finance costs						(214,111)
Share of profit of an associate						568
Profit before tax						375,373

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers	**2,904,108**	2,850,826
Other income and gains		
Bank interest income	**51,272**	45,445
Government grants	**81,055**	34,440
Changes in fair value of investments	**47,974**	41,904
Changes in fair value of convertible bonds — embedded derivative component	**68,043**	—
Investment income from financial instruments at fair value through profit or loss	**16**	4,571
Lease and property management service income	**5,892**	5,083
Foreign exchange gain, net	**70,667**	—
Others	**3,698**	10,481
	328,617	141,924

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of products sold	**922,980**	800,742
Depreciation of items of property, plant and equipment	**177,333**	166,389
Amortisation of other intangible assets	**139,850**	145,969
Depreciation of right-of-use assets	**14,248**	14,114
Auditor's remuneration	**2,689**	4,500
Research and development costs	**295,155**	426,348
Foreign exchange (gain)/loss, net	**(70,667)**	11,680
Share-based payment expense	**10,235**	16,047
Surcharges for overdue tax payments	**11,978**	—
Donation	**400**	1,414
Remeasurement of contingent considerations	**—**	12,336
Fair value adjustment of redemption liabilities on non-controlling interests	**—**	37,301
Loss/(gain) on disposal of non-current assets	**126**	(201)

7. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings (including convertible bonds)	**245,623**	189,843
Interest on discounted notes receivable	**23,129**	19,171
Interest on discounted letters of credit	**4,424**	4,447
Interest on redemption liabilities	**32,729**	—
Interest on lease liabilities	**932**	650
	306,837	214,111

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 major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax	**124,882**	61,461
Deferred tax	**(41,248)**	10,726
Total tax charge for the period	**83,634**	72,187

9. DIVIDENDS

No interim dividend was declared by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,694,503,007 (six months ended 30 June 2022: 3,477,478,391) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2022 in respect of a dilution as the impact of the convertible bonds outstanding and share award scheme had an anti-dilutive effect on the basic earnings per share amount presented.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2023 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

11. TRADE AND NOTES RECEIVABLES

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Trade receivables	**1,876,917**	1,435,170
Notes receivable	**312,334**	351,843
	2,189,251	1,787,013
Less: Impairment of trade receivables	**(2,598)**	(3,327)
	2,186,653	1,783,686

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

The notes receivable are due within twelve months. As at 30 June 2023, notes receivable of RMB312,334,000 (31 December 2022: RMB351,843,000) were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant for the six months ended 30 June 2023.

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

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Within 3 months	**1,604,410**	1,373,241
3 to 6 months	**62,938**	35,259
6 to 12 months	**208,266**	25,280
1 to 2 years	**558**	438
Over 2 years	**745**	952
	1,876,917	1,435,170

As at 30 June 2023, the Group has pledged notes receivable of RMB5,419,000 (31 December 2022: RMB68,584,000) to secure bank loans (note 13).

As at 30 June 2023, the Group endorsed certain notes receivable accepted by banks in the PRC (the "**Endorsed Notes**") to its suppliers in order to settle the trade and other payables due to such suppliers with a carrying amount in aggregate of RMB548,355,000 (31 December 2022: RMB402,301,000) (the "**Endorsement**"). In addition, the Group discounted certain notes receivable accepted by banks in the PRC (the "**Discounted Notes**") to banks to finance its operating cash flows with a carrying amount in aggregate of RMB1,783,389,000 (31 December 2022: RMB1,713,387,000) (the "**Discount**"). The Endorsed Notes and the Discounted Notes had a maturity from one to twelve months as at 30 June 2023. In accordance with the Law of Negotiable Instruments and relevant discounting arrangements with certain banks in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if certain banks default (the "**Continuing Involvement**").

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to a part of Endorsed Notes with an amount of RMB469,355,000 (31 December 2022: RMB355,380,000) and a part of Discounted Notes with an amount of RMB744,319,000 (31 December 2022: RMB674,200,000) accepted by large and reputable banks (the "**Derecognised Notes**"). Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

For the rest of the Endorsed Notes and the Discounted Notes, the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes and Discounted Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the Discounted Notes. Subsequent to the Endorsement or the Discount, the Group did not retain any rights on the use of the Endorsed Notes or the Disounted Notes, including the sale, transfer or pledge of the Endorsed Notes or the Discounted Notes to any other third parties. As at 30 June 2023, the aggregate carrying amount of the trade and other payables settled by the Endorsed Notes to which the suppliers have recourse was RMB79,000,000 (31 December 2022: RMB46,921,000), and the aggregate carrying amount financed by the Discounted Notes to which the banks have recourse was RMB1,039,070,000 (31 December 2022: RMB1,039,187,000).

During the period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the period and cumulatively. The Endorsement has been made evenly throughout the period.

12. TRADE AND NOTES PAYABLES

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Trade payables	**439,628**	417,814
Notes payable	**225,519**	142,130
	665,147	559,944

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

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Within 3 months	**603,863**	496,382
3 to 6 months	**28,794**	42,465
6 to 12 months	**20,868**	13,903
1 to 2 years	**6,171**	2,860
Over 2 years	**5,451**	4,334
	665,147	559,944

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

As at 30 June 2023, the Group's notes payable were secured by certain of the Group's time deposits amounting to RMB188,544,000 (31 December 2022: RMB122,287,000).

The maturity dates of the notes payable are within twelve months.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 30 June 2023

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank loans — secured	2.80–5.00	2023–2024	3,388,117
Bank loan — secured US$10,116,650	6.07	2023	73,101
Bank loans — secured EUR39,201,986	3.50–3-month EURIBOR+0.80	2023–2024	308,799
Current portion of long-term bank loans — secured	3.55–5.00	2023–2024	386,518
Current portion of long-term bank loans — secured US$48,374,130	3-month LIBOR+2.85	2024	349,542
Current portion of long-term other borrowings — secured	5.40	2023–2024	151,305
Discounted notes receivable	1.40–5.50	2023	1,032,183
Discounted letters of credit	1.89–5.24	2023	563,069
Lease liabilities	3.67	2024	12,513
			6,265,147
Non-current			
Bank loans — secured	3.55–5.00	2024–2029	1,097,006
Bank loans — secured US$115,152,537	3-month LIBOR+2.85	2025	832,069
Long-term other borrowings — secured	5.40	2024–2025	150,000
Lease liabilities	3.67	2029	28,426
			2,107,501
Total interest-bearing bank and other borrowings			8,372,648
Convertible bonds — debt component	6.50	2023	1,494,372
			9,867,020

As at 31 December 2022

	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank overdrafts — secured	—	On demand	155
Bank loans — secured	2.80–4.95	2023	2,973,910
Bank loan — secured			
US$10,234,739	4.50	2023	71,281
Bank loans — secured			
EUR39,097,003	0.6–3-month EURIBOR+0.80	2023	290,213
Current portion of long-term bank loans — secured	3.55–4.90	2023	418,591
Current portion of long-term bank loans — secured			
US$31,784,558	3-month LIBOR+2.85	2023	221,367
Discounted notes receivable	1.10–5.50	2023	1,025,061
Discounted letters of credit	1.89–5.24	2023	362,150
Lease liabilities	3.76	2023	15,254
			5,377,982
Non-current			
Bank loans — secured	3.55–4.90	2024–2029	984,610
Bank loans — secured			
US$180,467,473	3-month LIBOR+2.85	2025	1,256,884
Lease liabilities	3.76	2029	23,237
			2,264,731
Total interest-bearing bank and other borrowings			7,642,713
Convertible bonds — debt component	6.50	2023	1,461,806
			9,104,519

Notes:

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

(i) the pledge of certain of the Group's time deposits of RMB406,913,000 (31 December 2022: RMB604,661,000);

(ii) the pledge of certain of the Group's notes receivable of RMB5,419,000 (31 December 2022: RMB68,584,000) (note 11);

(iii) the pledge of certain of the Group's property, plant and equipment, which had a net carrying value at the end of the reporting period of approximately RMB490,345,000 (31 December 2022: RMB390,749,000);

(iv) the pledge of certain of the Group's right-of-use assets, which had a net carrying value at the end of the reporting period of approximately RMB5,813,000 (31 December 2022: RMB4,313,000); and

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

(b) The Group's other borrowings are from an independent third party financing institution, bear interest at 5.4% per annum and are secured by the pledge of certain of the Group's property, plant and equipment, which had a net carrying value at the end of the reporting period of approximately RMB253,332,000 (31 December 2022: Nil).

14. CONVERTIBLE BONDS

On 16 August 2022 and 13 September 2022, the Company issued the convertible bonds in the principal amount of Hong Kong dollars equivalent of RMB1,200 million and Hong Kong dollars equivalent of RMB300 million at the initial conversion price of HK$3.50 per share to an independent third party subscriber, New Leaf Biotech Holding Limited, with an interest rate of 6.50 per cent. The maturity date of the convertible bonds is 360 days after the first payment date and 24 July 2023, respectively. None of the convertible bonds were repaid or redeemed during the period.

15. RELATED PARTY TRANSACTIONS

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

Company	Relationship
Steward Cross Pte. Ltd. ("**Steward Cross**")	Associate
Luye Life Sciences Group Ltd. ("**Luye Life Sciences**")	Controlled by the controlling shareholder
Yantai Painuo Biotech Co., Ltd. ("**Yantai Painuo**")	Controlled by the controlling shareholder
Shandong International Biotech Park Development Co., Ltd. ("**Biotech Park Development**")	Controlled by the controlling shareholder
Yantai Yunyue Winery Management Co., Ltd. ("**Yunyue Winery**")	Controlled by the controlling shareholder
GeneLeap Biotech LLC ("**GeneLeap Biotech**")*	Controlled by the controlling shareholder
Yantai Cellzone Medical Diagnostics Center Co., Ltd. ("**Yantai Cellzone**")	Controlled by the controlling shareholder
Qingdao Luye Shanghe Pharmaceutical Technology Co., Ltd. ("**Qingdao Luye**")	Controlled by the controlling shareholder
Sairun (Shanghai) Medical Technology Co., Ltd. ("**Shanghai Sairun**")	Controlled by the controlling shareholder

* During the period ended 30 June 2022, GeneLeap Biotech has ceased to be a related party of the Group. The outstanding balances with the entity are not disclosed as balances with related parties in note (b) below and the periods of the transaction amounts with GeneLeap Biotech disclosed in note (a) only covered the period when it was a related party.

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

	Notes	For the six months ended 30 June 2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Sales of products to :			
Steward Cross	*(i)*	**5,035**	4,195
Qingdao Luye	*(i)*	**2,709**	—
Lease buildings to:			
Yantai Painuo	*(ii)*	**5,892**	5,083
Provision of manufacturing service to:			
Yantai Painuo	*(ii)*	**1,448**	986
Provision of property management services to:			
Yantai Painuo	*(ii)*	**368**	—
Accommodation services from:			
Yunyue Winery	*(ii)*	**23**	44
Research and development services from:			
Yantai Cellzone	*(ii)*	**—**	1,164
Lease and property management services from:			
Biotech Park Development	*(ii)*	**3,184**	1,808
Payment on behalf by:			
Biotech Park Development	*(iii)*	**3,303**	904
GeneLeap Biotech	*(iii)*	**—**	111
Repayment to:			
Biotech Park Development	*(iii)*	**3,864**	771
Luye Life Sciences	*(iii)*	**15,157**	—
GeneLeap Biotech	*(iii)*	**—**	104
Payment on behalf of:			
Shanghai Sairun	*(iii)*	**1,608**	—
Advances from:			
Luye Life Sciences	*(iii)*	**5,058**	2,013

Notes:

(i) The transaction prices were determined on normal commercial terms, negotiated on arm's length basis, and on similar basis as the Group conducted businesses with major customers.

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

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

(b) Outstanding balances with related parties:

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Other receivables		
Yantai Painuo	**19,411**	24,307
Qingdao Luye	**1,365**	3,164
Biotech Park Development*	**2,289**	—
Shanghai Sairun*	**1,608**	—
	24,673	27,471
Other payables		
Biotech Park Development*	**—**	1,334
Yunyue Winery	**23**	—
Yantai Cellzone	**1,164**	1,164
Luye Life Sciences*	**—**	10,099
	1,187	12,597
Lease liabilities		
Biotech Park Development	**1,190**	5,196

* The balances were non-trade in nature.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

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

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

2023 Interim Review

During the six months ended 30 June 2023 (the "**Reporting Period**") and up to the date of this announcement, the Group has persisted in its "innovation-driven" and "internationalisation" development strategy and has made remarkable achievements in all aspects of R&D, sales and marketing, business collaborations and manufacturing.

During the Reporting Period, the Group recorded a significant increase in products sales revenue of 18.7% to RMB2,784.5 million and an increase in total revenue (including sale of product know-how, out-licensing agreements and etc.) of 1.9% to RMB2,904.1 million as compared to that of 2022.

Market Positioning and Key Products

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

For international markets, the Group's products are mainly positioned in CNS therapeutic area, including Seroquel, Seroquel XR, Rykindo, Rivastigmine once-daily transdermal patch, Rivastigmine Multi-Day Transdermal Patch ("**Rivastigmine MD**" or "**LY30410**"), Fentanyl patches and Buprenorphine patches.

During the Reporting Period, the Group's revenue from oncology therapeutic area decreased by 11.2% to RMB910.3 million. Revenue from cardiovascular system therapeutic area increased by 24.2% to RMB977.9 million. Revenue from CNS therapeutic area increased by 4.4% to RMB680.4 million. Revenue from metabolism therapeutic area decreased by 23.4% to RMB247.1 million.

The Group's 12 key products are competitively positioned globally for high prevalence medical conditions and their market positions are expected to grow or maintain at its current level.

Key products related to oncology therapeutic area

Lipusu (力撲素)

Lipusu is the Group's proprietary formulation of paclitaxel using an innovative liposome injection delivery vehicle and a chemotherapy treatment of certain types of cancer. As of 30 June 2023, Lipusu was the first and only paclitaxel liposome product approved for sale globally. In January 2023, Lipusu successfully renewed its inclusion in category B of China's National Reimbursement Drug List ("**NRDL**") with its original payment standard. All indications of Lipusu, including non-small cell lungs cancer, ovarian and breast cancer, are reimbursed under the NRDL.

CMNa (希美納)

CMNa is sodium glycididazole, a proprietary compound that the Group prepares in injectable form and is indicated for use in connection with radiotherapy for certain solid tumours. It is a Class I New Chemical Drug and as far as the Company is aware, the only approved sensitiser for cancer radiotherapy by the National Medical Products Administration in China (the "**NMPA**"). According to the NMPA, CMNa was the only glycididazole product available for sale as of 30 June 2023. A study conducted by an independent third party in 2009 concluded that the use of CMNa for the treatment of certain cancers increased the probability of complete or partial remission and reduced overall treatment costs.

Boyounuo (博優諾)

Boyounuo (bevacizumab injection) was approved to the market by the NMPA in April 2021. It is an anti-VEGF humanized monoclonal antibody injection developed by Shandong Boan Biotechnology Co., Ltd. ("**Boan Biotech**"), a subsidiary of the Company. As of the date of this announcement, Boyounuo has been approved by the NMPA for the treatment of mCRC, advanced metastatic or recurrent non-small cell lung cancer, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer and cervical cancer. In January 2023, two new indications of Boyounuo were successfully included in the updated NRDL. As of the date of this announcement, Boyounuo has been included in the updated NRDL for all five indications.

Baituowei (百拓維)

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

Key products related to CNS therapeutic area

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

Seroquel (quetiapine fumarate, immediate release, IR) and Seroquel XR (extended release formulation) are atypical antipsychotic medicines with antidepressant properties. The main indications for Seroquel are the treatment of schizophrenia and bipolar disorder. Seroquel XR is also approved in some markets for major depressive disorder ("**MDD**") and generalised anxiety disorder. In addition to China, Seroquel and Seroquel XR are also marketed by the Group in 50 other developed and emerging countries.

*Rivastigmine Transdermal Patches (the "**Rivastigmine Patch**")*

The Rivastigmine Patch is rivastigmine in transdermal patches form approved in China, the U.S., Europe and other emerging countries or regions, indicated for mild to moderate dementia of the Alzheimer's type and dementia due to Parkinson's disease ("**PD**").

Rykindo (瑞可妥)

Rykindo was approved to the market by the NMPA in January 2021. It is the first innovative formulation developed under the Group's long acting and extended technology platform that received marketing approval. Rykindo is an extended-release microsphere for injection administered bi-weekly for the treatment of schizophrenia and is the only Risperidone Microspheres for Injection for sale in China as of 30 June 2023. Rykindo can significantly improve the medication compliance issues which are common among patients with schizophrenia in relation to oral antipsychotic drugs, and simplify the treatment regimen. Patients using Rykindo are also expected to have stable clinically effective plasma drug level and can benefit from more convenient clinical treatment. In December 2021, Rykindo has been included in the 2021 NRDL in China. In addition to China, Rykindo also received marketing approval from U.S. Food and Drug Administration (the "**FDA**") in January 2023, as a treatment for schizophrenia in adults and as monotherapy or as adjunctive therapy to lithium or valproate for the maintenance treatment of bipolar I disorder in adults.

Ruoxinlin (若欣林)

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

Key products related to cardiovascular therapeutic area

Xuezhikang (血脂康)

Xuezhikang is the Group's proprietary natural medicine derived from red yeast rice indicated for hypercholesterolaemia. According to the NMPA, the Group was the only Xuezhikang manufacturer in China as of 30 June 2023. According to IQVIA, the market for lipid-regulating drugs in China was estimated to be approximately RMB5.1 billion in the first half of 2023. According to IQVIA, Xuezhikang ranked as the most popular natural medicine for the treatment of hypercholesterolaemia and the fourth most-used lipid-regulating drug in China in the first half of 2023.

Maitongna (麥通納)

Maitongna is sodium aescinate in injectable form and is indicated for the treatment of cerebral edema and edema caused by trauma or surgery as well as for the treatment of venous reflux disorder. According to IQVIA, the market for vasoprotective pharmaceutical products in China was estimated to be approximately RMB1.7 billion in the first half of 2023. Maitongna was the best-selling domestically manufactured sodium aescinate product in China and ranked as the third most-used vasoprotective pharmaceutical product domestically manufactured in China in the first half of 2023.

Oukai (歐開)

As far as the Company is aware, Oukai is the only oral aescinate tablet in China to contain sodium salt and is widely used to treat soft tissue swelling and venous edema caused by various reasons. According to IQVIA, Oukai was ranked as the fifth most-used vasoprotective pharmaceutical product domestically manufactured in China in the first half of 2023.

Key products related to metabolism therapeutic area

Bei Xi (貝希)

Bei Xi is acarbose in capsule form and is indicated for lowering blood glucose in patients with type 2 diabetes mellitus. According to the NMPA, the Group was the only manufacturer of acarbose in capsule form in the first half of 2023. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB0.6 billion in the first half of 2023 and Bei Xi ranked as the second most popular acarbose product domestically manufactured in China in the first half of 2023.

Research and Development

The Group's R&D activities are organised around four platforms in the chemical drug sector — long acting and extended-release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. The Group has expanded its R&D capability to biological sector supported by Boan Biotech's three cutting-edge platforms, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology and Antibody-drug Conjugate ("**ADC**") Technology Platform. The Group balances clinical development risks by strategically allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel antibodies. The Group believes that its R&D capabilities will be the driving force behind the Group's long-term competitiveness, as well as the Group's future growth and development. As at 30 June 2023, the Group's R&D team consisted of 908 employees, including 79 Ph.D. degree holders and 447 master's degree holders in medical, pharmaceutical and other related areas. As at 30 June 2023, the Group had been granted 272 patents and had 74 pending patent applications in the PRC, as well as 481 patents and 186 pending patent applications overseas.

The Group will continue to invest the products in four strategic therapeutic areas — oncology, CNS, cardiovascular and metabolism. As at 30 June 2023, the Group had 39 PRC pipeline product candidates in various stages of development. These candidates included 18 oncology products, 15 CNS products and 6 other products. Also, the Group had 15 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

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

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

Rykindo (risperidone for extended-release injectable suspension): *Rykindo is administered via intramuscular injection once every two weeks and delivers its active ingredient, risperidone, via long-acting and extended-release microsphere technology developed by the Group; approved for marketing by NMPA in January 2021; approved for marketing by FDA in January 2023; the development of Rykindo in Europe is also progressing well, with a plan to be registered and marketed in the global market.*

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

LY03010 (Paliperidone Palmitate Prolonged Release Suspension for Injection): *a second-generation long-acting injectable (LAI) antipsychotic for the treatment of schizophrenia developed by the Group; marketing application accepted by the Centre for Drug Evaluation ("**CDE**") in December 2022; achieved the endpoint of pivotal study in the U.S. in November 2022.*

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

LY03003 (Rotigotine Extended-Release Microspheres for Injection): *the world's first long-acting extended-release microsphere formulation for the treatment of PD developed by the Group; the New Drug Application ("**NDA**") accepted by CDE in August 2023; being developed in parallel in the U.S. and Japan.*

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

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

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

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

Baituowei (Goserelin Microspheres for Injection): *the world's first and only formulation of goserelin long-acting microspheres approved for launch as far as the Company is aware; developed by the Group; approved by the NMPA for the treatment of prostate cancer for patients requiring ADT in June 2023; NDA for the treatment of breast cancer accepted by CDE in August 2022.*

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

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

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

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

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

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

Lurbinectedin is an analog of the marine compound ET-736 isolated from the sea squirt Ecteinacidia turbinata in which a hydrogen atom has been replaced by a methoxy group. It is a selective inhibitor of the oncogenic transcription programs on which many tumors are particularly dependent. Together with its effect on cancer cells, Lurbinectedin inhibits oncogenic transcription in tumor-associated macrophages, downregulating the production of cytokines that are essential for the growth of the tumor. Lurbinectedin has also been approved in eleven other countries or regions, in addition to its accelerated approval by the FDA for the treatment of metastatic SCLC. The drug is recommended by Small-cell lung cancer: ESMO Clinical Practice Guidelines for diagnosis, treatment and follow-up (published in 2021) and the NCCN Guidelines for Small Cell Lung Cancer (2022). In April 2023, Lurbinectedin has been recommended for the first time by the 2023 CSCO Guidelines for SCLC. The Group owns the rights to develop and commercialize Lurbinectedin in China.

- In June 2023, the NDA of Lurbinectedin was accepted by the CDE for the treatment of adult patients with metastatic SCLC with disease progression on or after receiving platinum-based chemotherapy. In addition, Lurbinectedin is also being reviewed for its NDA in the Hong Kong SAR and Macau SAR of China. Moreover, the drug is available to Chinese patients for urgent clinical use at designated medical institutions in the Hainan Boao Lecheng International Medical Tourism Pilot Zone and through the Named Patient Program in Hong Kong.

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

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

R&D progress for Boan Biotech's products candidates

Boyounuo (bevacizumab injection): *an anti-VEGF humanized monoclonal antibody injection and a biosimilar to Avastin developed by Boan Biotech; approved for marketing by the NMPA in April 2021.*

- In April 2023, Brazil's ANVISA accepted our BLA for Boyounuo.

Boyoubei (denosumab injection): *a human immunoglobulin G2 monoclonal antibody of the RANK ligand and the first biosimilar to Prolia developed by Boan Biotech; approved for marketing by the NMPA for the treatment of postmenopausal women with osteoporosis at high risk for fracture in November 2022.*

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

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

*Denosumab binds to RANKL and it inhibits the activation of OPG/RANKL/RANK signaling pathways, and thus inhibits tumor growth and reduces bone destruction. BA1102 is indicated for the treatment of patients with bone metastases from solid tumors and patients with multiple myeloma, to delay or reduce the risk of skeletal-related events ("**SREs**") (e.g. pathologic fractures, spinal cord compression, bone radiotherapy or bone surgery). The drug is also indicated for the treatment of adults and skeletally mature adolescents (defined as having at least one mature long bone and with body weight of 45 kg or above) with giant cell tumor of bone ("**GCTB**") that is unresectable or where surgical resection is likely to result in severe morbidity.*

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

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

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

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

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

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

Dulaglutide is a long-acting glucagon-like peptide-1 (GLP-1) receptor agonist administered once a week. Compared with other glucose-reducing drugs, Dulaglutide can improve pancreatic islet beta cells function, stably and effectively reduce blood glucose and HbA1c levels. In addition, due to its unique mechanism of action, Dulaglutide can simultaneously improve multiple risk factors for cardiovascular diseases such as weight gain, hyperlipidemia/blood lipids and long-term cardiovascular disease risks, and is not prone to causing lower hypoglycemia rate. It also has a protective effect on the kidney. Moreover, several clinical studies have shown that patients taking Dulaglutide once a week have higher compliance because of the convenience of use. BA5101 is indicated for glycemic control in adults with type 2 diabetes mellitus.

- In May 2023, BA5101 completed patient enrollment of its phase 3 clinical trial in China.

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

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

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

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

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

Recognized as a Class 1 innovative biological product in China, BA2101 is the first long-acting anti-IL-4Rα monoclonal antibody that enters the clinical trial stage in the country. It is intended to be used for treating allergic diseases caused by Th2 inflammation, including atopic dermatitis, asthma, chronic rhinosinusitis with nasal polyps, prurigo nodularis, chronic spontaneous urticaria (CSU) and chronic obstructive pulmonary disease (COPD).

The drug can inhibit IL-4 and IL-13 signaling simultaneously, regulate Th2 inflammatory pathway, and reduce eosinophils and circulating IgE levels. It is designed to be administered subcutaneously with an expected dosing interval of 4 weeks.

IL-4Rα is a key target for the treatment of Th2 inflammatory diseases, and the long-acting mechanism of BA2101 makes it easier to provide a long-term and standard treatment for such diseases. Preclinical studies show that BA2101 has a longer half-life and higher drug exposure in cynomolgus monkeys than the marketed product with the same target. BA2101 may be administered once every 4 weeks in humans, while drugs with the same target usually adopt a 2-week dosing interval. BA2101 is more convenient for clinical use, providing important clinical value in the long-term management of Th2 inflammatory diseases.

- In February 2023, BA2101 administered for the first patient in a phase 1 clinical trial in China.

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

BA1301 for injection is our first novel ADC candidate that targets Claudin 18.2. It employs a site-specific conjugation technology to connect the cytotoxic payload with a monoclonal antibody that targets Claudin 18.2. This enables the cytotoxic payload to be directed to the tumor site through the targeting characteristics of the antibody. Such design reduces the toxic side effects of the cytotoxic payload, thus improving the therapeutic window, while retaining its tumor-killing effect.

- In January 2023, BA1301 received the IND approval in China. It administered for the first patient in a phase 1 clinical trial in China in June.

BA1202: *a novel bi-specific antibody ("**bispecific antibody**") candidate that targets CEA/CD3 developed by Boan Biotech.*

BA1202 is a CEA/CD3 bispecific antibody that binds to both CD3 on T cells and CEA on tumor cells, enabling the linking of T cells with tumor cells to facilitate tumor killing.

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

- In May 2023, BA1202 received the IND approval in China.

Sales, Marketing and Business Collaborations

For global market

The business of the Group covers 80 countries or regions including the U.S., countries in the EU, Japan, Association of Southeast Asian Nations, Latin America, Gulf Cooperation Council region and other emerging countries or regions. The Group also has strong sales partnerships with more than 50 partners throughout the world.

For China market

The Group has established an extensive nationwide sales and distribution network and sold its products to 31 provinces, autonomous regions and municipalities throughout the PRC in the first half of 2023. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,760 distributors that collectively enabled the Group to sell its products to over 21,660 hospitals, which comprised approximately 2,300 or approximately 91.0% of all Class III hospitals, approximately 5,860 or approximately 66.0% of all Class II hospitals and approximately 13,500 or approximately 61.0% of all Class I and other hospitals and medical institutions, in the PRC in the first half of 2023. The Group believes that its sales and marketing model and extensive coverage of hospitals and other medical institutions represent a significant competitive advantage and a culmination of both academic promotions by the Group's in-house personnel in different regions and partnerships with high-quality distributors across China. The Group also believes that its sales and marketing model provides a solid foundation for the Group to continue to enhance market awareness of its brand and expand the market reach of its products.

In January 2023, the Group launched the Named Patient Program ("**NPP**") in Hong Kong, China, providing eligible local patients immediate access to the innovative anti-cancer therapy Lurbinectedin. The Group has signed an agreement with Abacus Medicine Pharma Services ("**AMPS**"), an international healthcare and pharmaceutical services company, the terms of which grant AMPS exclusive distribution rights of the drug for the NPP in Hong Kong.

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

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

Manufacturing

The Group is developing a global supply chain of 8 manufacturing sites around the world, with GMP quality management and control systems established in line with international standards. For the first half of 2023, the Group has been working on establishing a global quality control and quality assurance system as well as information platform to ensure the successful integration of the Group's global manufacturing facility system. The manufacturing site for transdermal patches in Miesbach, Germany, maintained full capacity and is increasing output to address growing customer demands. Customer audits during the Reporting Period were performed partly remotely, partly on site and underlined the compliance with GMP standards. Also, and for the first time after the Covid-19 break, the local governmental GMP inspection took place for three days on site with the expected positive outcome. Several new customers were on-boarded during the Reporting Period and their product launches were supported as per customer timelines.

Post Reporting Period Outlook

After experiencing the cycle of price cut in medical insurance negotiations and volume-based procurement, the Group expects that the overall business will return to the growth cycle with the successive launch of many new products. During the Reporting Period, although mainland China was severely affected by the pandemic in January, the Group's overall products sales performed well, recording products sales revenue of RMB2,784.5 million with a growth rate of 18.7% and a total revenue of RMB2,904.1 million.

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

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

For oncology therapeutic area, the Group has exclusive products Lipusu and CMN and broad-spectrum anti-tumor product Bevacizumab Injection (Boyounuo). These three products have already been included in the NRDL and their prices are expected to be relatively stable based on current policy. With the expansion of the patients, these three products will bring sustained and stable growth in the future.

In June 2023, the Group's innovative formulation, Goserelin Microspheres for Injection (Baituowei), has been approved by the NMPA for the treatment of prostate cancer for patients requiring ADT. It is the first and only formulation of goserelin long-acting microspheres approved for launch. With its innovative microsphere formulation, Baituowei is able to release the active ingredients more steadily within a treatment cycle, achieve better control over testosterone production, avoid testosterone surge

caused by re-dosing, and ensure efficacy and safety. The improved needle for this product has a diameter of only 0.8 millimeter. This can significantly improve patient experience. The Group and BeiGene have entered a strategic partnership for Baituowei's commercialization in China. The Group expects that Baituowei will have a impressive market prospect in China and the sales will be ramp up rapidly. The Group will also actively promote the inclusion of this product in NRDL to benefit more patients.

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

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

In January 2021, the marketing registration of Rykindo has been approved by the NMPA of China. It is the first innovative formulation developed under the Group's long acting and extended technology platform that received marketing approval. Rykindo is an extended-release microsphere for injection administered bi-weekly for the treatment of schizophrenia. In December 2021, Rykindo has been included in the latest edition of the NRDL, which will bring new hope to about 10 million schizophrenia patients in China. The 2021 NRDL has come into effect in January 2022.

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

In May 2021, Rivastigmine MD is eligible for marketing authorization by individual member states in the EU. In September 2021, the Rivastigmine MD received marketing authorization in the United Kingdom. Rivastigmine MD is a twice-weekly innovative patch formulation of Rivastigmine for the treatment of mild to moderate dementia associated with Alzheimer's disease. Rivastigmine MD requires lower frequency of application than the Rivastigmine once-daily patches generally available in the market, enabling it to improve patients' medication adherence.

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

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

For other therapeutic areas, the Group also has a new product Boyoubei launched in November 2022. Boyoubei was approved for the treatment of postmenopausal women with osteoporosis at high risk for fracture. This product can significantly reduce the risk of vertebral, non-vertebral and hip fractures in postmenopausal women. As far as the Company is aware, Boyoubei is the first biosimilar to Prolia approved for marketing in the world. In January 2023, Boan Biotech have granted CP Qingdao the exclusive right to commercialize Boyoubei in mainland China.

Developing pipeline products are expected to launch in the near future

In addition to the products launched in the past 3 years, the Group has 10 pipeline products under NDA stage in different markets as of announcement date. There are 7 products LY01005, LY01017, LY03013, LY021702, LY03010, LY03003 and BA1102 under NDA review in mainland China. LY01017 is also under NDA review in Hong Kong and Macau, China. These 10 products are expected to be approved in the near future. The Group also have 9 pipeline products (i.e. LY03005, LY03010, LY30410, LY021701, BA5101, BA9101, BA6101, BA1102 and BA1104) under phase III clinical trials, pivotal studies or NDA/BLA preparing stage in different markets.

Optimization of management efficiency is expected to bring high-quality development

For recent years, significant challenges have taken place for the macro-economic environment. Facing these challenges, the Group will strategically continue to improve the management efficiency, reduce non-essential expenses. With the launch of many new products, the Group will expand sales teams in core therapeutic areas. The Group will consolidate the market position in oncology therapeutic area and deepen the coverage in CNS therapeutic area. The Group will also pay additional efforts to the R&D of key products, speeding up the launch of the pipeline product candidates. Externally, the Group will keep penetrating into the domestic and international markets and actively seek for cooperation opportunities with third parties to ensure the business maintains high-quality and healthy growth.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group's revenue amounted to approximately RMB2,904.1 million, as compared to RMB2,850.8 million for the six months ended 30 June 2022, representing an increase of approximately RMB53.3 million, or 1.9%. The increase was mainly attributable to increase in sales of some of the Group's key products.

For the six months ended 30 June 2023, revenue from oncology products decreased to RMB910.3 million, as compared to RMB1,025.0 million for the six months ended 30 June 2022, representing a decrease of approximately RMB114.7 million, or 11.2%, primarily attributable to the lower in sales of R&D of the Group.

For the six months ended 30 June 2023, revenue from cardiovascular system products increased to RMB977.9 million, as compared to RMB787.1 million for the six months ended 30 June 2022, representing an increase of approximately RMB190.8 million, or 24.2%, primarily attributable to the increase in sales of a few cardiovascular system products of the Group.

For the six months ended 30 June 2023, revenue from alimentary tract and metabolism products decreased to RMB247.1 million, as compared to RMB322.7 million for the six months ended 30 June 2022, representing a decrease of approximately RMB75.6 million, or 23.4%, primarily attributable to the decrease in the sales volume and average selling price of our key alimentary tract and metabolism product of the Group.

For the six months ended 30 June 2023, revenue from CNS products increased to RMB680.4 million, as compared to RMB651.7 million for the six months ended 30 June 2022, representing an increase of approximately RMB28.7 million or 4.4%, primarily attributable to the increase in sales of CNS products.

For the six months ended 30 June 2023, revenue from other products increased to RMB88.4 million, as compared to RMB64.4 million for the six months ended 30 June 2022, representing an increase of approximately RMB24.0 million, or 37.3%, primarily attributable to the increase in sales of various other products of the Group.

Cost of Sales

The Group's cost of sales increased from RMB800.7 million for the six months ended 30 June 2022 to approximately RMB960.7 million for the six months ended 30 June 2023, which accounted for approximately 33.1% of the Group's total revenue for the same period.

Gross Profit

For the six months ended 30 June 2023, the Group's gross profit decreased to RMB1,943.4 million, as compared to RMB2,050.1 million for the six months ended 30 June 2022, representing a decrease of approximately RMB106.7 million, or 5.2%. The gross profit margin decreased slightly to 66.9% for the six months ended 30 June 2023, from 71.9% for the six months ended 30 June 2022 mainly due to the higher sales of products with slightly lower margin.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income and changes in fair value of financial instruments. For the six months ended 30 June 2023, the Group's other income and gains increased to RMB328.6 million, as compared to RMB141.9 million for the six months ended 30 June 2022, representing an increase of approximately RMB186.7 million, or 131.6%. The increase was mainly attributable to an increase in foreign exchange and fair value adjustment during the period.

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 2023, the Group's selling and distribution expenses amounted to RMB1,115.2 million, as compared to RMB838.2 million for the six months ended 30 June 2022, representing an increase of RMB277.0 million, or 33.0%. The increase was mainly attributable to increase in promotion expenses and staff cost. On the other hand, as a percentage of revenue, the Group's selling and distribution expenses increased from 29.4% for the six months ended 30 June 2022 to 38.4% for the six months ended 30 June 2023, primarily as a result of more marketing, promotion and distribution activities during the period.

Administrative Expenses

The Group's administrative expenses primarily consisted of staff cost, general operating expenses, conference and entertainment expenses, travel and transportation expenses, depreciation, amortisation and impairment loss, auditor's remuneration, consulting expenses, bank charges, taxation and other administrative expenses. For the six months ended 30 June 2023, the Group's administrative expenses amounted to approximately RMB297.3 million, as compared to RMB266.2 million for the six months ended 30 June 2022, representing an increase of approximately RMB31.1 million, or 11.7%. The increase was primarily attributable to staff cost during the period.

Other Expenses

The Group's other expenses primarily consisted of its R&D costs, donations, loss on disposals of property, plant and equipment and miscellaneous expenses. For the six months ended 30 June 2023, the Group's other expenses amounted to approximately RMB323.8 million, as compared to RMB498.8 million for the six months ended 30 June 2022, representing a decrease of approximately RMB175.0 million, or 35.1%. The decrease was mainly due to lower R&D costs during the period.

Finance Costs

For the six months ended 30 June 2023, the Group's finance costs amounted to RMB306.8 million, as compared to RMB214.1 million for the six months ended 30 June 2022, representing an increase of approximately RMB92.7 million, or 43.3%. The increase was mainly due to higher bank borrowings and convertible bonds interests during the six months ended 30 June 2023 as compared to the corresponding period of 2022.

Income Tax Expense

For the six months ended 30 June 2023, the Group's income tax expense amounted to RMB83.6 million, as compared RMB72.2 million for the six months ended 30 June 2022, representing an increase of RMB11.4 million, or 15.8%. The effective tax rates for the six months ended 30 June 2023 and 2022 were 36.5% and 19.2%, respectively.

Net Profit

The Group's net profit for the six months ended 30 June 2023 was approximately RMB145.4 million, as compared to RMB303.2 million for the six months ended 30 June 2022, representing a decrease of approximately RMB157.8 million, or 52.0%.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2023, the Group had net current assets of approximately RMB1,701.3 million, as compared to approximately RMB1,298.6 million as at 31 December 2022. The current ratio of the Group increased slightly to approximately 1.15 as at 30 June 2023 from approximately 1.14 as at 31 December 2022. The increase in net current assets was mainly attributable to higher cash and cash equivalent under the period.

Borrowings and Pledge of Assets

As at 30 June 2023, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB8,372.6 million, as compared to approximately RMB7,642.7million as at 31 December 2022. Amongst the loans and borrowings, approximately RMB6,265.1 million are repayable within one year, and approximately RMB2,107.5 million are repayable after one year. RMB5,097.8 million of the loans and borrowings of the Group carried interest at fixed interest rate. As at 30 June 2023, the Group's borrowings were primarily denominated in RMB, Euro and U.S. dollars, and the cash and cash equivalents were primarily denominated in RMB, Euro and U.S. dollars.

Gearing Ratio

As at 30 June 2023, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, decreased to 68.7% from 69.2% as at 31 December 2022. The decrease was primarily due to an increase in the Group's total equity during the Reporting Period.

Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities.

Foreign Exchange and Exchange Rate Risk

The Group primarily operates in the PRC and is exposed to foreign currency risk arising from fluctuations in exchange rate between RMB and other currencies in which the Group conducts its business. The Group is subject to foreign currency risk attributable to the bank balances, trade and other receivables and payables as well as bank loans that are denominated in currencies other than RMB. The Group seeks to limit the exposure to foreign currency risk by minimising its net foreign currency position. The Group did not enter into any hedging transactions in respect of foreign currency risk as at 30 June 2023. The Directors expect that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operation of the Group.

Hedging Activities

As at 30 June 2023, the Group did not use any financial instruments for hedging purposes and did not enter into any hedging transactions in respect of foreign currency risk or interest rate risk.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not hold any significant investment with a value greater than 5% of its total assets as at 30 June 2023. The Group does not have plans for material investments or capital assets.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 6 July 2023, the Company issued US$180,000,000 6.25 per cent. convertible bonds due 2028 (the "**Bonds**"). For further details of the Bonds, please refer to the announcements of the Company dated 28 June 2023 and 6 July 2023.

INTERIM DIVIDEND

No interim dividend was declared by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

CORPORATE GOVERNANCE PRACTICES

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

During the six months ended 30 June 2023, the Company has complied with all the applicable code provisions set out in the CG Code, save and except for the deviation from Code Provision C.2.1 of Part 2 of the CG Code, which requires the roles of chairman and chief executive officer should be separate and performed by different individuals.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") 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 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company for the six months ended 30 June 2023.

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 interim condensed consolidated financial statements and interim results announcement of the Group for the six months ended 30 June 2023 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 2023 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 2023 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 2023 interim report containing all the information required by the Listing Rules will be despatched to the shareholders 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 2023

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. SONG Rui Lin and Mr. SUN Xin; and the independent non-executive directors of the Company are Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit, Mr. CHOY Sze Chung Jojo and Ms. XIA Lian.