Pharma
绿叶制药

Luye Pharma Group Ltd.
绿叶制药集团有限公司

(incorporated in Bermuda with limited liability)

Stock Code: 2186

2024
INTERIM REPORT

CONTENTS

COMPANY OVERVIEW

Luye Pharma Group Ltd. (the "Company", together with its subsidiaries, the "Group") focuses on developing, producing, marketing and selling innovative pharmaceutical products in four of the largest and fast growing therapeutic areas in the People's Republic of China ("PRC" or "China"), the United States ("the U.S."), Europe and other countries or districts, namely oncology, central nervous system ("CNS"), cardiovascular system, alimentary tract and metabolism. The Group has a portfolio of over 30 products, covering over 80 countries and regions around the world, including large pharmaceutical markets — China, the U.S., Europe and Japan, as well as fast growing emerging markets.

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 2024. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,650 distributors that collectively enabled the Group to sell its products to over 21,450 hospitals.

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

The Group's research and development ("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 four cutting-edge platforms of Shandong Boan Biotechnology Co., Ltd. ("Boan Biotech"), namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, Antibody-drug Conjugate ("ADC") Technology and Cell Therapy Platform. The Group balances clinical development risks by strategically allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel biologics. The Group believes that its R&D capabilities will be the driving force behind the Group's long-term competitiveness, as well as the Group's future growth and development.

As of 30 June 2024, the Group's R&D team consisted of 720 employees, including 66 Ph.D. degree holders and 351 master's degree holders in medical, pharmaceutical and other related areas.

As of 30 June 2024, the Group had been granted 272 patents and had 66 pending patent applications in the PRC, as well as 552 patents and 123 pending patent applications overseas. The Group will continue to invest the products in four strategic therapeutic areas — oncology, CNS, cardiovascular and metabolism.

As of 30 June 2024, the Group had 27 PRC pipeline product candidates in various stages of development. These candidates included 18 oncology products, 5 CNS products and 4 other products. Also, the Group had 11 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Dian Bo
(Executive Chairman and Chief Executive Officer)
Mr. YANG Rong Bing *(Vice Executive Chairman)*
Mr. YUAN Hui Xian
Ms. ZHU Yuan Yuan

Non-executive Directors

Mr. SONG Rui Lin
Dr. LYU Dong

Independent Non-executive Directors

Mr. ZHANG Hua Qiao
Professor LO Yuk Lam
Mr. LEUNG Man Kit
Mr. CHOY Sze Chung Jojo
Ms. XIA Lian

COMPANY SECRETARY

Ms. LEE Mei Yi

AUTHORIZED REPRESENTATIVES

Mr. YANG Rong Bing
Ms. ZHU Yuan Yuan

AUDIT COMMITTEE

Mr. LEUNG Man Kit *(Chairman)*
Mr. ZHANG Hua Qiao
Professor LO Yuk Lam

REMUNERATION COMMITTEE

Mr. CHOY Sze Chung Jojo *(Chairman)*
Mr. ZHANG Hua Qiao
Professor LO Yuk Lam

NOMINATION COMMITTEE

Professor LO Yuk Lam *(Chairman)*
Mr. ZHANG Hua Qiao
Mr. CHOY Sze Chung Jojo

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Professor LO Yuk Lam *(Chairman)*
Mr. YANG Rong Bing
Mr. SONG Rui Lin

REGISTERED OFFICE

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CORPORATE INFORMATION (CONTINUED)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Registered Public Interest Entity Auditor
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Quarry Bay
Hong Kong

STOCK CODE

2186

COMPANY'S WEBSITE

www.luye.cn

PRINCIPAL BANKERS

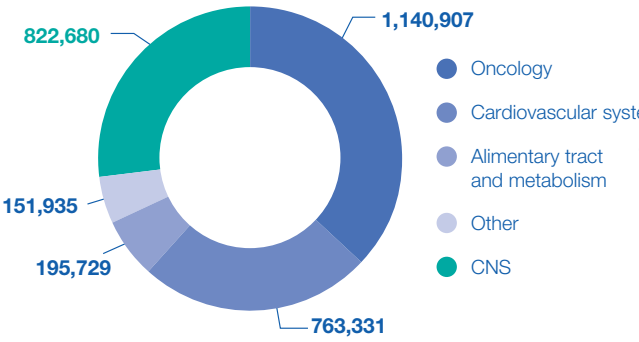
Bank of China Limited
China Everbright Bank
Industrial and Commercial Bank of China Limited
Citibank (China) Limited

FINANCIAL HIGHLIGHTS

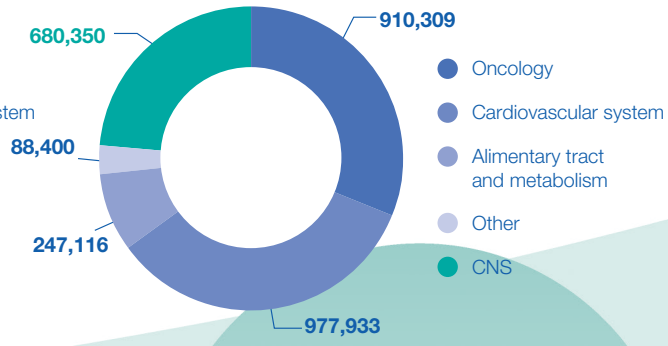
- Revenue increased by RMB170.5 million or 5.9% to RMB3,074.6 million, as compared to the six months ended 30 June 2023.
- Gross profit increased by RMB135.2 million or 7.0% to RMB2,078.6 million, as compared to the six months ended 30 June 2023, and gross profit margin was 67.6%.
- Net profit increased by RMB292.8 million or 201.4% to RMB438.2 million, as compared to the six months ended 30 June 2023.
- Profit attributable to shareholders increased by RMB237.8 million or 158.5% to RMB387.8 million, as compared to the six months ended 30 June 2023.
- EBITDA increased by RMB288.9 million or 33.3% to RMB1,156.1 million, as compared to the six months ended 30 June 2023.
- Earnings per share was RMB10.31 cents, as compared to RMB4.06 cents for the six months ended 30 June 2023.
- No interim dividend was proposed by the board (the "Board") of directors (the "Directors") of the Company for the six months ended 30 June 2024.

	2020 RMB Million	2021 RMB Million	2022 RMB Million	2023 RMB Million	30 Jun 2023 RMB Million	**30 Jun 2024 RMB Million**
Revenue	5,539.6	5,200.2	5,981.7	6,143.1	2,904.1	**3,074.6**
Gross Profit	3,990.6	3,396.7	4,140.5	4,204.2	1,943.4	**2,078.6**
EBITDA	1,877.1	906.9	1,812.8	2,077.4	867.3	**1,156.1**
Net Profit	703.3	(144.8)	583.3	539.1	145.4	**438.2**
Profit attributable to owners of the Parent	706.6	(134.4)	604.8	532.6	150.0	**387.8**
Total Assets	20,630.6	22,582.1	24,249.6	25,490.7	26,300.2	**27,198.5**
Total Liability	12,531.6	13,468.2	13,207.9	11,962.2	14,105.9	**13,113.8**
Equity	8,099.0	9,113.9	11,041.7	13,528.5	12,194.3	**14,084.7**

30 June 2024 RMB'000



30 June 2023 RMB'000



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

During the half-year ended 30 June 2024 (the "Reporting Period"), the Group has persisted in its "innovation-driven" and "internationalization" development strategy and has made remarkable achievements in all aspects of R&D, sales and marketing, business collaborations and manufacturing.

During the Reporting Period, the Group recorded an increase in revenue of 5.9% to RMB3,074.6 million, as compared to the half-year ended 30 June 2023.

MARKET POSITIONING AND KEY PRODUCTS

For the China market, the Group's key products are competitively positioned in four key therapeutic areas (oncology, CNS, cardiovascular and metabolism). According to IQVIA data, during the Reporting Period, oncology, metabolism, CNS and cardiovascular related pharmaceutical products constituted the 1st, 2nd, 4th and 5th largest pharmaceutical markets in China, respectively. The Group's key products portfolio in China includes 5 (Lipusu, Boyounuo, Baituowei, CMNa and Mimeixin) in oncology therapeutic area, 5 (Seroquel, Ruoxinlin, Rykindo, Meibirui and Jinyouping) in CNS therapeutic area, 3 (Xuezhikang, Oukai and Maitongna) in cardiovascular therapeutic area and 1 (Bei Xi) in metabolism therapeutic area.

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

During the Reporting Period, the Group's revenue from oncology therapeutic area increased by 25.3% to RMB1,140.9 million. Revenue from CNS therapeutic area increased by 20.9% to RMB822.7 million. Revenue from cardiovascular system therapeutic area decreased by 21.9% to RMB763.3 million. Revenue from metabolism therapeutic area decreased by 20.8% to RMB195.7 million.

The Group's 16 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 2024, 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.

Boyounuo (博優諾)

Boyounuo (bevacizumab injection) was approved to the market by the National Medical Products Administration ("NMPA") in China in April 2021. It is an anti-VEGF humanized monoclonal antibody injection developed by Boan Biotech, a subsidiary of the Company. As of 30 June 2024, Boyounuo has been approved by the NMPA for the treatment of mCRC, advanced metastatic or recurrent non-small cell lung cancer, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer, cervical cancer and hepatocellular carcinoma. In addition, Boyounuo has been included in the NRDL for all indications. For the international market, this product is under Biologics License Application ("BLA") review in Brazil.

Baituowei (百拓維)

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

CMNa (希美納)

CMNa is sodium glycididazole, a proprietary compound that the Group prepares in injectable form and is indicated for use in connection with radiotherapy for certain solid tumours. It is a Class I New Chemical Drug and as far as the Company is aware, the only approved sensitiser for cancer radiotherapy by the NMPA in China. According to the NMPA, CMNa was the only glycididazole product available for sale as of 30 June 2024. A study conducted by an independent third party in 2009 concluded that the use of CMNa for the treatment of certain cancers increased the probability of complete or partial remission and reduced overall treatment costs.

Mimeixin (米美欣)

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

Key products related to CNS therapeutic area

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

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

Ruoxinlin (若欣林)

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

Rivastigmine Transdermal Patches (the "Rivastigmine Patch")

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

Rykindo (瑞可妥)

Rykindo was approved to the market by the NMPA in China in January 2021. It is the first innovative formulation developed under the Group's long acting and extended technology platform that received marketing approval. Rykindo is an extended-release microsphere for injection administered bi-weekly for the treatment of schizophrenia and is the only Risperidone Microspheres for Injection for sale in China as of 30 June 2024. Rykindo can significantly improve the medication compliance issues which are common among patients with schizophrenia in relation to oral antipsychotic drugs, and simplify the treatment regimen. Patients using Rykindo are also expected to have stable clinically effective plasma drug level and can benefit from more convenient clinical treatment. In December 2023, Rykindo has been included in the NRDL again under a renewed contract, maintaining the same payment standard under the health insurance remaining. In addition to China, Rykindo also received marketing approval from the U.S. Food and Drug Administration ("FDA") in January 2023, as a treatment for schizophrenia in adults and as monotherapy or as adjunctive therapy to lithium or valproate for the maintenance treatment of bipolar I disorder in adults.

Erzofri

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

Meibirui (美比瑞)

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

Jinyouping (金悠平)

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

Key products related to cardiovascular therapeutic area

Xuezhikang (血脂康)

Xuezhikang is the Group's proprietary natural medicine derived from red yeast rice indicated for hypercholesterolaemia. According to the NMPA, the Group was the only Xuezhikang manufacturer in China as of 30 June 2024. According to IQVIA, the market for lipid-regulating drugs in China was estimated to be approximately RMB5.9 billion in the first half of 2024. According to IQVIA, Xuezhikang ranked as the most popular natural medicine for the treatment of hypercholesterolaemia and the fifth most-used lipid-regulating drug in China in the first half of 2024.

Maitongna (麥通納)

Maitongna is sodium aescinate in injectable form and is indicated for the treatment of cerebral edema and edema caused by trauma or surgery as well as for the treatment of venous reflux disorder. According to IQVIA, the market for vasoprotective pharmaceutical products in China was estimated to be approximately RMB1.7 billion in the first half of 2024. Maitongna was the best-selling domestically manufactured sodium aescinate product in China and ranked as the most-used vasoprotective pharmaceutical product domestically manufactured in China in the first half of 2024.

Oukai (歐開)

As far as the Company is aware, Oukai is the only oral aescinate tablet in China to contain sodium salt and is widely used to treat soft tissue swelling and venous edema caused by various reasons. According to IQVIA, Oukai was ranked as the fourth most-used vasoprotective pharmaceutical product domestically manufactured in China in the first half of 2024.

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 2024. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB0.6 billion in the first half of 2024 and Bei Xi ranked as the second most popular acarbose product domestically manufactured in China in the first half of 2024.

RESEARCH AND DEVELOPMENT

The Group's R&D activities are organised around four platforms in the chemical drug sector — long acting and extended-release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. The Group has expanded its R&D capability to biological sector supported by Boan Biotech's four cutting-edge platforms, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, ADC Technology and Cell Therapy Platform. The Group balances clinical development risks by strategically allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel biologics. The Group believes that its R&D capabilities will be the driving force behind the Group's long-term competitiveness, as well as the Group's future growth and development. As of 30 June 2024, the Group's R&D team consisted of 720 employees, including 66 Ph.D. degree holders and 351 master's degree holders in medical, pharmaceutical and other related areas. As of 30 June 2024, the Group had been granted 272 patents and had 66 pending patent applications in the PRC, as well as 552 patents and 123 pending patent applications overseas.

The Group will continue to invest the products in four strategic therapeutic areas — oncology, CNS, cardiovascular and metabolism. As of 30 June 2024, the Group had 27 PRC pipeline product candidates in various stages of development. These candidates included 18 oncology products, 5 CNS products and 4 other products. Also, the Group had 11 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

During the Reporting Period, the Group had remarkable R&D achievements in the following product candidates.

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

LY01610 (Irinotecan Hydrochloride Liposome Injection): an irinotecan hydrochloride liposome injection indicated for small cell lung cancer ("SCLC") developed by the Group.

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

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

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

It has been approved for marketing in several European countries in 2021 for the treatment of mild to moderate dementia associated with Alzheimer's disease ("AD"). It has been approved by NMPA in China in October 2023 for the symptomatic treatment of mild to moderate AD.

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

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

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

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

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

Its NDA has been accepted by CDE of China in August 2023 and approved by the NMPA of China in June 2024.

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

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

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

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

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

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

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

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

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

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

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

LY03020: a next generation antipsychotic and the first agonist against both the trace amine-associated receptor 1 (TAAR1) and the 5-HT2C receptor (5-HT2CR) in the world independently developed by the Group.

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

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

R&D progress for Boan Biotech's products candidates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Compared to drugs with the same target which usually require dosing every two weeks, BA2101 can remain active for a longer period of time. Preclinical studies show that BA2101 has a longer half-life in cynomolgus monkeys than a marketed product with the same target, a feature that is expected to enable dosing once every four weeks in humans. Results of the completed phase 1 clinical trial show that BA2101 has a longer half-life and lower clearance rate than the marketed product.

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

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

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

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

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

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

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

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

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, ASEAN, Latin America, GCC region and other emerging countries or regions. The Group also has strong sales partnerships with more than 50 partners throughout the world.

For China market

The Group has established an extensive nationwide sales and distribution network and sold its products to 31 provinces, autonomous regions and municipalities throughout the PRC as of 30 June 2024. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel, a network of approximately 1,650 distributors that collectively enabled the Group to sell its products to over 21,450 hospitals, which comprised approximately 2,200 or approximately 88.0% of all Class III hospitals, approximately 5,750 or approximately 66.0% of all Class II hospitals and approximately 13,500 or approximately 63.0% of all Class I and other hospitals and medical institutions, in the PRC as of 30 June 2024. The Group believes that its sales and marketing model, together with the extensive coverage of hospitals and other medical institutions represent a significant competitive advantage and a culmination of both academic promotions by the Group's in-house personnel in different regions and partnerships with high-quality distributors across China. The Group also believes that its sales and marketing model provides a solid foundation for the Group to continue to enhance market awareness of its brand and expand the market reach of its products.

For business collaborations

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

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

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

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 half-year ended 30 June 2024, the Group has been working on establishing a global quality control and quality assurance system as well as information platform to ensure the successful integration of the Group's global manufacturing facility system. Boan Biotech have received GMP certification from ANVISA for biological product, Boyouno, covering the drug substance and the drug product in January 2024. The manufacturing site for transdermal patches in Miesbach, Germany, is running at full capacity and is striving to increase output to address growing customer demands. Several customer audits during the Reporting Period were performed on site and confirmed compliance with GMP standards. Several new customers were on-boarded during the Reporting Period and their product launches were supported as per customer timelines. Still, Rotigotine patch keeps its position in the German market as the first and so far only alternative option to UCB's Neupro© patch. Significant investments in additional production capacity are under way in the framework of "Project Miesbach 2027" which is running according to project timeline and budget.

POST RESULTS OUTLOOK

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

During the Reporting Period, despite the impact of various new policies on China's domestic pharmaceutical industry, which led to a slowdown in the industry's growth, the Group's overall sales performance remained superior to that of the industry. In the first half of 2024, the Group recorded revenue of RMB3,074.6 million with a growth rate of 5.9%.

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

Mature products, having mitigated policy risks, are expected to experience stable growth

Focusing on the three therapeutic areas of oncology, CNS, and cardiovascular diseases, the Group has developed four core mature products: Lipusu, Seroquel, Xuezhikang, and Oukai. All four of these products are either exclusive or original innovative products. These products have all been included in the NRDL and have mitigated potential policy impact risks. Their prices are expected to be relatively stable based on current policy. With the expansion of the patients, these products will bring sustained and stable growth in the future. The revenue from these products forms the cornerstone of the Group's sustainable development, laying a solid foundation for the growth of future new products.

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

In the oncology therapeutic area, the Group has 4 new products (Boyounuo, Baituowei, Mimeixin and Boluojia) approved in mainland China and 1 new product (Lurbinectedin) approved in Hong Kong SAR and Macau SAR.

In 2021, the Group has received approval for the broad-spectrum anti-tumor product Boyounuo, which has been included in the NRDL. According to the data of IQVIA, the market sales of bevacizumab have already reached to RMB8.3 billion with a growth rate of 23.6% in China in 2023. In 2023, the Group's innovative formulation, Baituowei, has been approved for launch for the treatment of prostate cancer and breast cancer. Data from IQVIA shows that the total size of the market for GnRH agonists in China was approximately RMB9.72 billion in 2023. With its innovative microsphere formulation, Baituowei is able to ensure efficacy and safety while significantly improving patient experience compared to reference product. The Group and BeiGene, Ltd. have entered a strategic partnership for Baituowei's commercialization in China and this product has been included in the latest NRDL. In addition, innovative new compound product, Lurbinectedin, has been approved for launch in Hong Kong SAR and Macao SAR for the treatment of metastatic SCLC. Lung cancer has the highest mortality rate among all cancers, especially SCLC, which is notoriously difficult to treat because it's highly malignant and invasive. Most patients would develop drug resistance and experience a relapse after receiving the initial treatment. Meanwhile, there has been very limited progress in the treatment of this disease, with almost no substantial breakthrough in more than two decades. The approval of Lurbinectedin will provide a new treatment option for physicians. It can also benefit patients at designated healthcare institutions in Guangdong via the Greater Bay Area Initiative.

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

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

In the CNS therapeutic area, the Group has 5 new products (Ruoxinlin, Rykindo, Meibirui, Jinyouping and Rivastigmine Transdermal Patch) approved in mainland China and 4 new products (Rykindo, Erzofri, Rivastigmine MD and Rotigotine Patch) approved in the U.S. or Europe.

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

Our blockbuster antipsychotic drug, Erzofri, has successfully received approval in the U.S. in July 2024. Erzofri is the first patented paliperidone palmitate long-acting injection developed by a Chinese company to be approved in the U.S. with independent intellectual property rights. Paliperidone Palmitate Long-acting Injection generated sales of US$2.897 billion in the U.S. market in 2023 based on publicly available information. The market potential in this field is immense, with few competing products. Erzofri, with its unique product advantages, holds significant market potential and opportunities for growth.

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

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

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

With the launch of many new products, the Group will bring in a management team with experience in sales of innovative drug and expand sales teams in core therapeutic areas. In the field of oncology, with the launch of Lurbinectedin, the Group will add a dedicated team to quickly cover core hospitals, and cooperate with the existing team to fully promote the coverage of the product in wide markets. In the field of CNS, the Group will continue to expand the size of Ruoxinlin's team to increase its coverage in core markets and carry out more academic clinical trials. Meanwhile, the Group will also actively expand the coverage of Ruoxinlin in multi-departments with various partners not limited to psychiatric hospitals or departments. In the field of conventional medicine, the Group will orderly expand the dedicated team of Oukai to further release the potential of this product.

Externally, the Group will keep penetrating into the domestic and international markets and actively seek for cooperation opportunities with third parties to ensure the business maintains high-quality and healthy growth.

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

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

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

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

Improving the profitability through the optimization of various expenses

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

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, the Group's revenue amounted to approximately RMB3,074.6 million, as compared to RMB2,904.1 million for the six months ended 30 June 2023, representing an increase of approximately RMB170.5 million, or 5.9%. The increase was mainly attributable to increase in sales of some of the Group's key products.

For the six months ended 30 June 2024, revenue from oncology products increased to RMB1,140.9 million, as compared to RMB910.3 million for the six months ended 30 June 2023, representing an increase of approximately RMB230.6 million, or 25.3%, primarily attributable to the higher in sales of product know-how and increase in sale of some key products of the Group.

For the six months ended 30 June 2024, revenue from cardiovascular system products decreased to RMB763.3 million, as compared to RMB977.9 million for the six months ended 30 June 2023, representing a decrease of approximately RMB214.6 million, or 21.9%, primarily attributable to the decrease in sales of a few cardiovascular system products of the Group.

For the six months ended 30 June 2024, revenue from alimentary tract and metabolism products decreased to RMB195.7 million, as compared to RMB247.1 million for the six months ended 30 June 2023, representing a decrease of approximately RMB51.4 million, or 20.8%, primarily attributable to the decrease in the sales of our key alimentary tract and metabolism product of the Group.

For the six months ended 30 June 2024, revenue from CNS products increased to RMB822.7 million, as compared to RMB680.4 million for the six months ended 30 June 2023, representing an increase of approximately RMB142.3 million or 20.9%, primarily attributable to the increase in sales of CNS products.

For the six months ended 30 June 2024, revenue from other products increased to RMB151.9 million, as compared to RMB88.4 million for the six months ended 30 June 2023, representing an increase of approximately RMB63.5 million, or 71.8%, primarily attributable to the increase in sales of various other products of the Group.

Cost of sales

The Group's cost of sales increased from RMB960.7 million for the six months ended 30 June 2023 to approximately RMB996.0 million for the six months ended 30 June 2024, which accounted for approximately 32.4% of the Group's total revenue for the same period.

Gross profit

For the six months ended 30 June 2024, the Group's gross profit increased to RMB2,078.6 million, as compared to RMB1,943.4 million for the six months ended 30 June 2023, representing an increase of approximately RMB135.2 million, or 7.0%. The gross profit margin increased slightly to 67.6% for the six months ended 30 June 2024, from 66.9% for the six months ended 30 June 2023 mainly due to the higher sales of products with slightly higher 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 2024, the Group's other income and gains decreased to RMB202.9 million, as compared to RMB328.6 million for the six months ended 30 June 2023, representing a decrease of approximately RMB125.7 million, or 38.3%. The decrease was mainly attributable to a decrease 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 2024, the Group's selling and distribution expenses amounted to RMB850.8 million, as compared to RMB1,115.2 million for the six months ended 30 June 2023, representing a decrease of RMB264.4 million, or 23.7%. The decrease was mainly attributable to the decrease in promotion expenses. On the other hand, as a percentage of revenue, the Group's selling and distribution expenses decreased from 38.4% for the six months ended 30 June 2023 to 27.7% for the six months ended 30 June 2024, primarily as a result of tighter budget on selling and distribution expenses 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 2024, the Group's administrative expenses amounted to approximately RMB289.2 million, as compared to RMB297.3 million for the six months ended 30 June 2023, representing a decrease of approximately RMB8.1 million, or 2.7%. The decrease was primarily attributable to lower staff cost during the period.

Other expenses

The Group's other expenses primarily consisted of its R&D costs, donations and miscellaneous expenses. For the six months ended 30 June 2024, the Group's other expenses amounted to approximately RMB334.0 million, as compared to RMB323.8 million for the six months ended 30 June 2023, representing an increase of approximately RMB10.2 million, or 3.2%. The increase was mainly due to higher net foreign exchange loss during the period.

Finance costs

For the six months ended 30 June 2024, the Group's finance costs amounted to RMB277.8 million, as compared to RMB306.8 million for the six months ended 30 June 2023, representing a decrease of approximately RMB29.0 million, or 9.5%. The decrease was mainly due to lower interest on redeemable liability during the six months ended 30 June 2024 as compared to the corresponding period of 2023.

Income tax expense

For the six months ended 30 June 2024, the Group's income tax expense amounted to RMB91.8 million, as compared RMB83.6 million for the six months ended 30 June 2023, representing an increase of RMB8.2 million, or 9.8%. The effective tax rates for the six months ended 30 June 2024 and 2023 were 17.3% and 36.5%, respectively.

Net profit

The Group's net profit for the six months ended 30 June 2024 was approximately RMB438.2 million, as compared to RMB145.4 million for the six months ended 30 June 2023, representing an increase of approximately RMB292.8 million, or 201.4%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2024, the Group had net current assets of approximately RMB2,761.4 million, as compared to approximately RMB2,565.5 million as at 31 December 2023. The current ratio of the Group decreased slightly to approximately 1.28 as at 30 June 2024 from approximately 1.32 as at 31 December 2023. The decrease in current ratio was mainly attributable to slightly higher borrowings under the period.

Borrowings and pledge of assets

As at 30 June 2024, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB8,479.2 million, as compared to approximately RMB7,486.1 million as at 31 December 2023. Amongst the loans and borrowings, approximately RMB6,669.0 million are repayable within one year, and approximately RMB1,810.2 million are repayable after one year. RMB5,131.0 million of the loans and borrowings of the Group carried interest at fixed interest rate. As at 30 June 2024, 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. Details of the charges on assets of the Group as at 30 June 2024, are included in note 18 to the interim condensed consolidated financial information.

Gearing ratio

As at 30 June 2024, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to 60.2% from 55.3% as at 31 December 2023. The increase was primarily due to an increase in the Group's total borrowing during the Reporting Period.

Contingent liabilities

As at 30 June 2024, 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 2024. The Directors expect that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operation of the Group.

Hedging activities

As at 30 June 2024, the Group did not use any financial instruments for hedging purposes and did not enter into any hedging transactions in respect of foreign currency risk or interest rate risk.

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 2024. The Group does not have plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2024, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group employed a total of 5,234 employees, as compared to a total of 5,270 employees as at 31 December 2023. For the six months ended 30 June 2024, the staff costs, (including Directors' emoluments but excluding any contributions to pension scheme), were approximately RMB476.6 million as compared to RMB475.0 million for the corresponding period in 2023.

The Group's employee remuneration policy has remain unchanged since the date of the Company's annual report for the year ended 31 December 2023.

During the Reporting Period and up to the date of this interim report, the Company has no share scheme (including any share option scheme) subject to the provisions of Chapter 17 of the Listing Rules.

The Group provides orientation training to its newly recruited employees to help them understand the corporate culture of the Company. From time to time, the Group also holds training meetings to enhance the skills of its employees and to reinforce the required standards in respect of core values. The Company's policy on directors' participation in induction and continuous professional development has remain unchanged since the date of the Company's annual report for the year ended 31 December 2023.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 22 July 2024, Shenzhen Luye Private Equity Investment Fund Partnership (Limited Partnership) (the "Investor") and the Group entered into an agreement, pursuant to which the Investor has conditionally agreed to make an investment of up to RMB1,600,000,000 in a subsidiary of the Company, Luye Pharma (Shenzhen) Co. Ltd. ("Shenzhen Luye"), which will be implemented sequentially in several steps. The Investor holds a total of 34.8% equity interest in Shenzhen Luye after completion of the investment. For further details of the investment, please refer to the announcements of the Company dated 22 July 2024 and 12 August 2024.

OTHER INFORMATION

FUND RAISING ACTIVITIES

The Group did not conduct any equity fund-raising activities during the Reporting Period.

Convertible Bonds

2022 convertible bonds

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

The convertible bonds comprise two components:

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

(b) The derivative component contains conversion options (not closely related to the debt component), which was measured at fair value with changes in fair value recognised in the statement of profit or loss.

The fair value of the debt component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option.

The total transaction costs that are related to the issuance of the convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values.

The net proceed from the 2022 convertible bond issued on 16 August 2022 (the "August 2022 Convertible Bonds") approximately HK$1,371.15 million representing a net issue price of approximately HK$3.45 per converted shares. The net proceed from the 2022 convertible bond issued on 13 September 2022 (the "September 2022 Convertible Bonds", together with the August 2022 Convertible Bonds, the "2022 Convertible Bonds") (after deduction of related expenses) was approximately HK$341.63 million representing a net issue price of approximately HK$3.45 per converted shares.

As at 31 December 2023, the Company had used, and proposed to use, the proceeds from the 2022 Convertible Bonds according to the intentions previously disclosed by the Company.

August 2022 Convertible Bonds

The following table sets out the use of proceeds from the issuance of the August 2022 Convertible Bonds during the year ended 31 December 2023 and the amount of unutilised net proceeds as at 31 December 2023:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2022 (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2023 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2023 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Research and development, including preclinical studies, clinical trials and related registration and administration, of products under development including LY03010, LY03014, LY03003, LY01005, LY01610, LY01616 and other products in the pipeline	548.46	205.67	205.67	137.12	2024
Repayment of debts falling due within 12 months	411.35	246.81	164.54	–	–
Marketing and commercialisation of products	274.23	137.12	95.98	41.13	2024
General working capital	137.12	68.55	54.85	13.71	2024
Total	1,371.15	658.15	521.04	191.96	

The following table sets out the use of proceeds from the issuance of the August 2022 Convertible Bonds during the Reporting Period:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2023 (HKD in million)	Approximate utilisation of proceeds during the Reporting Period (HKD in million)	Approximate amount of net proceeds unutilised as at 30 June 2024 (HKD in million)
Research and development, including preclinical studies, clinical trials and related registration and administration, of products under development including LY03010, LY03014, LY03003, LY01005, LY01610, LY01616 and other products in the pipeline	548.46	411.34	137.12	–
Repayment of debts falling due within 12 months	411.35	411.35	–	–
Marketing and commercialisation of products	274.23	233.10	41.13	–
General working capital	137.12	123.40	13.71	–
Total	1,371.15	1,179.19	191.96	–

September 2022 Convertible Bonds

The following table sets out the use of proceeds from the September 2022 Convertible Bonds during the year ended 31 December 2023 and the amount of unutilised net proceeds as at 31 December 2023:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2022 (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2023 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2023 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Update of the Group's facilities in Sichuan	147.93	44.38	59.17	44.38	2024
Update of the Group's facilities in Yantai	136.65	47.83	50.56	38.26	2024
Update of the Group's facilities in Nanjing	57.05	14.26	31.38	11.41	2024
Total	341.63	106.47	141.11	94.05	

The following table sets out the use of proceeds from the September 2022 Convertible Bonds during the Reporting Period:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2023 (HKD in million)	Approximate utilisation of proceeds during the Reporting Period (HKD in million)	Approximate amount of net proceeds unutilised as at 30 June 2024 (HKD in million)
Update of the Group's facilities in Sichuan	147.93	103.55	44.38	–
Update of the Group's facilities in Yantai	136.65	98.39	38.26	–
Update of the Group's facilities in Nanjing	57.05	45.64	11.41	–
Total	341.63	247.58	94.05	–

Accordingly, as at 30 June 2024, (i) the Company had used the proceeds from the 2022 Convertible Bonds according to the intentions previously disclosed by the Company; and (ii) the Company had fully utilised all of the net proceeds from the 2022 Convertible Bonds according to the intentions previously disclosed.

OTHER INFORMATION (CONTINUED)

2023 convertible bonds

On 6 July 2023, with the aim of improving the liquidity and settling certain short term liabilities of the Group, the Company issued 6.25 per cent convertible bonds with an aggregate principal amount of US$180,000,000 and the listing of the bonds on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was effective on 7 July 2023. The bonds were offered and sold to no less than six independent placees (who were professional investors) and are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK$4.88 per share any time on or after 16 August 2023 and up to the close of business on the date falling ten days prior to 6 July 2028. On 6 July 2026, the holder of each bond will have the right at such holder's option, to require the Company to redeem all or some of the bonds at their principal amount, together with interest accrued but unpaid. Any convertible bonds not converted will be redeemed on 6 July 2028 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 6.25 per cent per annum, which is payable semiannually in arrears on 6 January and 6 July.

The net proceed from the 2023 convertible bonds (after deduction of commission related expenses) was approximately US$176,736,000 (equivalent to HK$1,382,764,000) representing a net issue price of approximately HK$4.79 per converted share.

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

As at 30 June 2024, the total outstanding principal amount of the 2023 convertible bond is US$180,000,000.

As at 31 December 2023, the Company had used, and proposed to use, the proceeds from the 2023 Convertible Bonds according to the intentions previously disclosed by the Company.

The following table sets out the use of proceeds from the 2023 Convertible Bonds during the year ended 31 December 2023 and the amount of unutilised net proceeds as at 31 December 2023:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2023 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2023 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Research and development, including preclinical studies, clinical trials and related registration and administration, of products under development including LY03010, LY03003, LY01005, LY03005 and other products in the pipeline	276.55	62.22	214.33	2026
Repayment of debts falling due within 12 months	1,106.21	207.41	898.80	2026
Total	1,382.76	269.63	1,113.13	

The following table sets out the use of proceeds from the 2023 Convertible Bonds during the Reporting Period and the amount of unutilised net proceeds as at 30 June 2024:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2023 (HKD in million)	Approximate utilisation of proceeds during the Reporting Period (HKD in million)	Approximate amount of net proceeds unutilised as at 30 June 2024 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Research and development, including preclinical studies, clinical trials and related registration and administration, of products under development including LY03010, LY03003, LY01005, LY03005 and other products in the pipeline	276.55	62.22	34.57	179.76	2026
Repayment of debts falling due within 12 months	1,106.21	207.41	553.11	345.69	2026
Total	1,382.76	269.63	587.68	525.45	

As at 30 June 2024, the Company had used, and proposed to use, the proceeds from the 2023 Convertible Bonds according to the intentions previously disclosed by the Company.

Placing of New Shares

On 22 February 2023, the Company completed a placing of 212,000,000 new ordinary shares of the Company (the "Placing Shares"), with the aim to raise capital and strengthen the Company's financial position, representing approximately 5.64% of the total issued shares (as enlarged by the allotment and issuance of the Placing Shares), at the placing price of HK$3.78 per share to no less than six placees who are professional, institutional or other investors selected and procured by the placing agent (the "Placing"). To the best of the knowledge, information and belief of the Directors, the placees are third parties independent of and not connected with the Company, any Director, chief executive or substantial shareholder of the Company, or any of its subsidiaries, or any of their respective associates. The aggregate nominal value of the Placing Shares was US$4,240,000. For further details of the Placing, please refer to the Company's announcements dated 15 February 2023 and 22 February 2023. The Company has received net proceeds from the Placing (after deducting all relevant fees, costs and expenses borne or incurred by the Company) of approximately HK$794.24 million. The net placing price is therefore approximately HK$3.75 per Placing Share. The closing price of each share as quoted on the Stock Exchange was HK$4.12 on 14 February 2023, the date on which the Company entered into the relevant placing agreement. The following table sets out the use of proceeds from the Placing during the Reporting Period:

Intended use of proceeds	**Approximate allocation of net proceeds as previously disclosed** (HKD in million)	**Approximate utilisation of proceeds as at 31 December 2023** (HKD in million)	**Approximate utilisation of proceeds during the Reporting Period** (HKD in million)	**Approximate amount of net proceeds unutilised as at 30 June 2024** (HKD in million)
Marketing and commercialisation of products	238.27	142.96	95.31	–
Conducting overseas clinical trials of products under development including LY03003, LY03005, LY03010, and other products in the pipeline	238.27	142.96	95.31	–
Repayment of debts falling due within 12 months	158.85	142.96	15.89	–
General corporate purpose	158.85	119.14	39.71	–
Total	794.24	548.02	246.22	–

Accordingly, as at 30 June 2024, (i) the proceeds from the Placing were used according to the intentions previously disclosed by the Company; and (ii) the Company has fully utilised all of the net proceeds from the Placing.

OTHER INFORMATION (CONTINUED)

INTERIM DIVIDEND

No interim dividend was declared by the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 C1 to the Rules Governing the Listing of Securities on the Stock Exchange (hereinafter referred to as the "Listing Rules") as its own code of corporate governance. During the six months ended 30 June 2024, the Company has complied with all the applicable code provisions set out in Part 2 of the CG Code, save for the deviation from code provision C.2.1 of the CG Code, which requires the roles of chairman and chief executive officer to 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 Mr. Liu Dian Bo 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 meeting the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") contained in Appendix C3 to the Listing Rules. Specific enquiry has been made all the Directors and the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2024.

The Company has also adopted its own code of conduct regarding employees' securities transactions on terms meeting the required standard as set out in the Model Code. This ensures compliance by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities (including treasury shares) of the Company for the six months ended 30 June 2024. As at 30 June 2024, the Company did not hold any treasury shares.

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 2024 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 2024 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.

OTHER INFORMATION (CONTINUED)

CHANGES IN DIRECTORS' INFORMATION

Upon specific enquiry by the Company and following confirmations from Directors, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's annual report for the year ended 31 December 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the six months ended 30 June 2024.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interests and/or short position in the shares or the underlying shares which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of securities[1]	Approximate percentage of shareholding
LuYe Pharmaceutical Investment Co., Ltd.[1]	Beneficial owner	1,259,196,703(L)	33.47%
		192,317,950(S)	5.11%
LuYe Pharmaceutical International Co., Ltd.[1]	Interest in controlled corporation	1,259,196,703(L)	33.47%
		192,317,950(S)	5.11%
Luye Pharma Holdings Ltd.[1]	Interest in controlled corporation	1,259,196,703(L)	33.47%
		192,317,950(S)	5.11%
Luye Life Sciences Group Ltd.[2]	Interest in controlled corporation	1,259,196,703(L)	33.47%
		192,317,950(S)	5.11%
Nelumbo Investments Limited[2]	Interest in controlled corporation	1,259,196,703(L)	33.47%
		192,317,950(S)	5.11%
Ginkgo (PTC) Limited[2]	Trustee	1,259,196,703(L)	33.47%
		192,317,950(S)	5.11%
Shorea LBG[2]	Interest in controlled corporation	1,259,196,703(L)	33.47%
		192,317,950(S)	5.11%
Hillhouse Investment Management, Ltd.[3]	Investment Manager	552,324,108(L)	14.68%
Hillhouse Fund V, L.P.[3]	Interest in controlled corporation	552,324,108(L)	14.68%
Hillhouse NEV Holdings Limited[3]	Beneficial owner	552,324,108(L)	14.68%
UBS Group AG	Interest in controlled corporation	456,029,530(L)	12.12%
		345,260,737(S)	9.18%

Remark: The Letter "L" denotes long position in such securities and "S" denotes short position in such securities.

Notes:

1. *LuYe Pharmaceutical Investment Co., Ltd. ("Luye Investment") is wholly-owned by LuYe Pharmaceutical International Co., Ltd., which is in turn wholly-owned by Luye Pharma Holdings Ltd. Luye Investment had a short position in 192,317,950 shares of the Company as a result of certain equity derivatives held, written or issued by Luye Investment, as the case may be.*

2. *Nelumbo Investments Limited holds 70% of the issued share capital of Luye Life Sciences Group Ltd. The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo (PTC) Limited as trustee of the family trust of Mr. Liu Dian Bo. Ginkgo (PTC) Limited is wholly-owned by Shorea LBG whose sole shareholder is Mr. Liu Dian Bo.*

3. *Hillhouse NEV Holdings Limited is wholly-owned by Hillhouse Fund V, L.P. and Hillhouse Investment Management, Ltd. is the sole investment manager of Hillhouse NEV Holdings Limited.*

Save as disclosed above, as at 30 June 2024, the Directors have not been aware of any person who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of securities[1]	Approximate percentage of shareholding
Liu Dian Bo[1]	Founder of a discretionary trust	1,259,196,703(L) 192,317,950(S)	33.47% 5.11%

Remark: The Letter "L" denotes long position in such securities and "S" denotes short position in such securities.

Note:

1. *Mr. Liu Dian Bo through his controlled corporations, namely Shorea LBG, Ginkgo (PTC) Limited, Nelumbo Investments Limited, Luye Life Sciences Group Ltd., Luye Pharma Holdings Ltd., LuYe Pharmaceutical International Co., Ltd. and LuYe Pharmaceutical Investment Co., Ltd., is deemed to be interested in 1,259,196,703 ordinary shares and 192,317,950 short position in the Company held by LuYe Pharmaceutical Investment Co., Ltd. Nelumbo Investments Limited holds 70% of the issued share capital of Luye Life Sciences Group Ltd. The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo (PTC) Limited as trustee of the family trust of Mr. Liu Dian Bo, who is the founder of such trust. Ginkgo (PTC) Limited is wholly-owned by Shorea LBG whose sole shareholder is Mr. Liu Dian Bo.*

(ii) Interest in associated corporations

Name of Director	Associated Corporation	Nature of interest	Number of securities	Approximate percentage in the registered capital of the associated corporation
Liu Dian Bo	Luye Life Sciences Group Ltd.[2]	Founder of a discretionary trust	8,400(L)	70%
Liu Dian Bo	Ginkgo (PTC) Limited[1]	Founder of a discretionary trust	1(L)	100%
Liu Dian Bo	Luye Pharma Holdings Ltd.[2]	Founder of a discretionary trust	1,136,852(L)	100%
Liu Dian Bo	LuYe Pharmaceutical International Co., Ltd.[2]	Founder of a discretionary trust	202,180,988(L)	100%
Liu Dian Bo	LuYe Pharmaceutical Investment Co., Ltd.[2]	Founder of a discretionary trust	1(L)	100%
Liu Dian Bo	Nelumbo Investments Limited[1]	Founder of a discretionary trust	1(L)	100%
Yang Rong Bing	Luye Life Sciences Group Ltd.[2]	Beneficial interest	1,800(L)	15%
Yuan Hui Xian	Luye Life Sciences Group Ltd.[2]	Beneficial interest	1,800(L)	15%

Remark: The Letter "L" denotes long position in such securities.

Notes:

1. *The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo (PTC) Limited as trustee of the family trust of Mr. Liu Dian Bo, who is the founder of such trust.*

2. *Luye Life Sciences Group Ltd. holds the entire issued ordinary share capital of Luye Pharma Holdings Ltd. LuYe Pharmaceutical International Co., Ltd. is wholly-owned by Luye Pharma Holdings Ltd. and LuYe Pharmaceutical Investment Co., Ltd. is wholly-owned by Luye Pharmaceutical International Co., Ltd.*

Save as disclosed above, as at 30 June 2024, none of our Directors and chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under Section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION (CONTINUED)

SUPPLEMENTAL INFORMATION IN RELATION TO 2023 ANNUAL REPORT

The Company would like to provide the following supplemental information in relation to the share award scheme adopted by the Company (the "Share Award Scheme") on 10 January 2017 and subsequently terminated on 20 January 2023.

The table below sets out the movements of the share awards granted under the Share Award Scheme during the year ended 31 December 2023:

		Number of Awarded Shares									
Grantees	Date of grant	Number of unvested Awarded Shares as at 1 January 2023	Number of Awarded Shares as at 1 January 2023	Granted during the year	Vested during the year	Cancelled during the year[2]	Lapsed during the year	Number of unvested Awarded Share as at 31 December 2023	Number of Awarded Share as at 31 December 2023	Vesting Period[1]	Award price
Directors:											
Mr. ZHANG Hua Qiao	15 May 2017	–	250,000	–	–	250,000	–	–	–	15 May 2019	HK$4
Professor LO Yuk Lam	15 May 2017	–	250,000	–	–	250,000	–	–	–	15 May 2019	HK$4
Mr. LEUNG Man Kit	15 May 2017	–	250,000	–	–	250,000	–	–	–	15 May 2019	HK$4
Mr. CHOY Sze Chung Jojo	15 May 2017	–	250,000	–	–	250,000	–	–	–	15 May 2019	HK$4
Mr. SONG Rui Lin	15 May 2018	–	250,000	–	–	250,000	–	–	–	15 May 2020	HK$4
Top five highest paid employees	15 May 2017	–	900,000	–	–	900,000	–	–	–	15 May 2020	HK$4
	15 May 2018	–	990,000	–	–	990,000	–	–	–	15 May 2021	HK$4
	15 May 2019	–	990,000	–	–	990,000	–	–	–	15 May 2022	HK$4
Other employees	15 May 2017	–	14,562,000	–	–	14,562,000	–	–	–	15 May 2020	HK$4
	15 May 2018	–	16,841,000	–	–	16,841,000	–	–	–	15 May 2021	HK$4
	15 May 2019	–	19,822,000	–	–	19,822,000	–	–	–	15 May 2022	HK$4
Total	N/A	–	55,355,000	–	–	55,355,000	–	–	–	N/A	N/A

Notes:

1. *In respect of Awarded Shares granted on 15 May 2017, the earliest date on which the Awarded Shares may be vested, was 15 May 2020 and from then onwards the Awarded Shares may be vested up to the date of termination of the Share Award Scheme. The weighted average closing price of the Shares as quoted on the Stock Exchange's website immediately before 15 May 2020 was HK$3.84 per Share.*

   In respect of Awarded Shares granted on 15 May 2018, the earliest date on which the Awarded Shares may be vested, was 15 May 2021 and from then onwards the Awarded Shares may be vested up to the date of termination of the Share Award Scheme. The weighted average closing price of the Shares as quoted on the Stock Exchange's website immediately before 15 May 2021 was HK$4.83 per Share.

   In respect of Awarded Shares granted on 15 May 2019, the earliest date on which the Awarded Shares may be vested, was 15 May 2022 and from then onwards the Awarded Shares may be vested up to the date of termination of the Share Award Scheme. The weighted average closing price of the Shares as quoted on the Stock Exchange's website immediately before 15 May 2022 was HK$2.33 per Share.

   There was no performance target required for the vesting of the Awarded Shares, except that the eligible participant is required to be remained as an employee of the Group during the vesting period and the participant's daily performance meets the expectation of the Company.

2. *The Scheme was terminated on 20 January 2023 as the trading price of the shares quoted on the Stock Exchange had been below HK$4 in the preceding 12 months (the "Scheme Termination"). Upon the Scheme Termination, all Awarded Shares were cancelled.*

3. *During the term of the Scheme, the maximum number of Shares and Awarded Shares which may be held under the Trust and managed by the Trustee may not exceed 2% of issued share capital of the Company at any single point in time during the life of the Trust. A Selected Employee was not required to pay any price for the acceptance of a grant of Awarded Shares.*

   During the term of the Scheme, the Board may from time to time select any employee (excluding any excluded employee) for participation in the Scheme as a Selected Employee and grant to such Selected Employee Awarded Shares in such number (i.e. including maximum entitlement of each such participant) at a stated grant price and on and subject to such terms and conditions as it may in its discretion determine. Following the Scheme Termination, no Awarded Share are available for grant under the Scheme.

INDEPENDENT REVIEW REPORT

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Independent review report
To the board of directors of Luye Pharma Group Ltd.
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 38 to 76, which comprises the condensed consolidated statement of financial position of Luye Pharma Group Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
28 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	4	**3,074,582**	2,904,108
Cost of sales		**(996,032)**	(960,745)
Gross profit		**2,078,550**	1,943,363
Other income and gains	4	**202,931**	328,617
Selling and distribution expenses		**(850,826)**	(1,115,245)
Administrative expenses		**(289,179)**	(297,344)
Other expenses		**(334,008)**	(323,798)
Finance costs	6	**(277,836)**	(306,837)
Share of profit of an associate		**345**	232
PROFIT BEFORE TAX	5	**529,977**	228,988
Income tax expense	7	**(91,799)**	(83,634)
PROFIT FOR THE PERIOD		**438,178**	145,354
Attributable to:			
Owners of the parent		**387,836**	149,977
Non-controlling interests		**50,342**	(4,623)
		438,178	145,354
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (RMB)		**10.31 cents**	4.06 cents
Diluted (RMB)		**10.31 cents**	4.06 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	**438,178**	145,354
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,203)**	66,270
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**5,300**	7,674
Income tax effect	**37**	85
	5,337	7,759
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**2,134**	74,029
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**440,312**	219,383
Attributable to:		
Owners of the parent	**389,990**	223,880
Non-controlling interests	**50,322**	(4,497)
	440,312	219,383

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**4,912,061**	4,751,937
Right-of-use assets		**346,829**	336,568
Goodwill		**1,024,476**	1,041,930
Other intangible assets	11	**6,502,951**	6,317,880
Investment in associates	12	**987,970**	1,388,197
Equity investments designated at fair value through other comprehensive income		**97,919**	91,976
Prepayments, other receivables and other assets	13	**66,692**	66,459
Financial assets at fair value through profit or loss	14	**488,261**	488,261
Pledged deposits	16	**—**	159,640
Deferred tax assets		**235,395**	144,585
Total non-current assets		**14,662,554**	14,787,433
CURRENT ASSETS			
Inventories		**815,546**	827,863
Trade and notes receivables	15	**2,577,607**	2,354,899
Prepayments, other receivables and other assets	13	**1,159,787**	429,589
Financial assets at fair value through profit or loss	14	**1,631,361**	1,595,767
Pledged deposits	16	**1,502,976**	984,496
Time deposits with original maturity of over three months	16	**1,509,000**	1,271,695
Cash and cash equivalents	16	**3,339,649**	3,238,973
Total current assets		**12,535,926**	10,703,282
CURRENT LIABILITIES			
Trade and notes payables	17	**797,008**	767,187
Other payables and accruals		**1,949,236**	1,951,568
Interest-bearing bank and other borrowings	18	**6,669,023**	5,195,754
Government grants		**29,422**	22,965
Tax payable		**329,788**	200,333
Total current liabilities		**9,774,477**	8,137,807
NET CURRENT ASSETS		**2,761,449**	2,565,475
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,424,003**	17,352,908

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2024

	Note	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,424,003**	17,352,908
NON-CURRENT LIABILITIES			
Convertible bonds		**974,094**	937,875
Interest-bearing bank and other borrowings	*18*	**1,810,175**	2,290,318
Employee defined benefit obligation		**3,750**	4,100
Government grants		**101,308**	103,579
Deferred tax liabilities		**38,677**	47,257
Other non-current liabilities		**411,346**	441,285
Total non-current liabilities		**3,339,350**	3,824,414
Net assets		**14,084,653**	13,528,494
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**486,107**	486,107
Share premium		**4,250,260**	4,159,320
Equity component of convertible bonds		**386,362**	386,362
Reserves		**7,896,674**	7,499,396
		13,019,403	12,531,185
Non-controlling interests		**1,065,250**	997,309
Total equity		**14,084,653**	13,528,494

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent											
	Issued capital RMB'000	Share premium account RMB'000	Equity component of convertible bonds RMB'000	Safety production reserve* RMB'000	Statutory surplus reserves* RMB'000	Share award reserve* RMB'000	Retained earnings* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Foreign currency translation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2023 (audited)	486,107	4,159,320	386,362	30,654	1,319,814	43,404	6,060,730	(11,731)	56,525	12,531,185	997,309	13,528,494
Profit for the period	–	–	–	–	–	–	387,836	–	–	387,836	50,342	438,178
Other comprehensive income for the period:												
Changes in fair value of investments, net of tax	–	–	–	–	–	–	–	5,337	–	5,337	–	5,337
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(3,183)	(3,183)	(20)	(3,203)
Total comprehensive income for the period	–	–	–	–	–	–	387,836	5,337	(3,183)	389,990	50,322	440,312
Appropriation to safety production reserve	–	–	–	4,926	–	–	(4,926)	–	–	–	–	–
Safety production reserve used	–	–	–	(3,210)	–	–	3,210	–	–	–	–	–
Capital contribution from non-controlling interests	–	90,940	–	–	–	–	–	–	–	90,940	14,615	105,555
Share-based payment arrangements	–	–	–	–	–	7,288	–	–	–	7,288	3,004	10,292
At 30 June 2024 (unaudited)	486,107	4,250,260	386,362	32,370	1,319,814	50,692	6,446,850	(6,394)	53,342	13,019,403	1,065,250	14,084,653

* *These reserve accounts comprise the consolidated reserves of RMB7,896,674,000 in the consolidated statement of financial position as at 30 June 2024.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2024

	Attributable to owners of the parent											
	Issued capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Safety production reserve RMB'000	Statutory surplus reserves RMB'000	Share award reserve RMB'000	Retained earnings RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Foreign currency translation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2022 (audited)	456,953	(279,558)	3,076,828	29,860	1,156,126	212,866	5,511,142	(1,002)	12,739	10,175,954	865,768	11,041,722
Profit for the period	–	–	–	–	–	–	149,977	–	–	149,977	(4,623)	145,354
Other comprehensive income for the period:												
Changes in fair value of investments, net of tax	–	–	–	–	–	–	–	7,759	–	7,759	–	7,759
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	66,144	66,144	126	66,270
Total comprehensive income for the period	–	–	–	–	–	–	149,977	7,759	66,144	223,880	(4,497)	219,383
Issue of shares *(note a)*	29,154	–	667,151	–	–	–	–	–	–	696,305	–	696,305
Appropriation to safety production reserve	–	–	–	4,906	–	–	(4,906)	–	–	–	–	–
Safety production reserve used	–	–	–	(1,438)	–	–	1,438	–	–	–	–	–
Sale of shares repurchased for share award scheme *(note b)*	–	279,558	(52,898)	–	–	–	–	–	–	226,660	–	226,660
Cancellation of share award scheme	–	–	–	–	–	(184,077)	188,839	–	–	4,762	(4,762)	–
Share-based payment arrangements	–	–	–	–	–	7,247	–	–	–	7,247	2,988	10,235
At 30 June 2023 (unaudited)	486,107	–	3,691,081	33,328	1,156,126	36,036	5,846,490	6,757	78,883	11,334,808	859,497	12,194,305

Notes:

(a) On 22 February 2023, a total of 212,000,000 shares were placed at the placing price of HK$3.78 per placing share. The proceeds of HK$33,254,000 (equivalent to RMB29,154,000), representing the par value, were credited to the Company's share capital. The remaining net proceeds of HK$760,980,000 (equivalent to RMB667,151,000) after deducting relevant fees of HK$7,126,000 (equivalent to RMB6,247,000) were credited to the share premium account.

(b) During the six months ended 30 June 2023, the Company disposed of all 65,498,500 shares held for the share award scheme.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**529,977**	228,988
Adjustments for:			
Share of profit of associates		**(345)**	(232)
Depreciation and amortisation of non-current assets		**348,305**	331,431
(Gain)/loss on disposal of non-current assets		**(8,375)**	126
Gain on a finance lease as a sublease lessor		**(547)**	—
Share-based payment expense	*23*	**10,292**	10,235
Bank interest income		**(43,702)**	(51,272)
Investment income from financial instruments at fair value through profit or loss		**—**	(16)
Changes in fair value of investments		**(35,093)**	(47,974)
Changes in fair value of convertible bonds — embedded derivative component		**—**	(68,043)
Interest expense	*6*	**277,836**	306,837
Provision for a legal claim	*20*	**7,277**	6,979
		1,085,625	717,059
Decrease/(increase) in inventories		**12,317**	(30,666)
Increase in trade and notes receivables		**(222,717)**	(403,048)
(Increase)/decrease in prepayments, other receivables and other assets		**(743,440)**	647,375
Increase in pledged deposits		**(242,645)**	(80,377)
Decrease in restricted cash		**—**	32,003
Increase in trade and notes payables		**29,821**	105,203
Increase in other payables and accruals		**20,040**	18,743
Decrease in government grants		**4,186**	(48,182)
(Decrease)/increase in other non-current liabilities		**(38,798)**	2,120
Cash (used in)/generated from operations		**(95,611)**	960,230
Interest paid		**(239,198)**	(159,007)
Income tax paid		**(59,591)**	(111,496)
Net cash flows (used in)/from operating activities		**(394,400)**	689,727

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Net cash flows (used in)/from operating activities	**(394,400)**	689,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of non-current assets	**(715,872)**	(481,203)
Proceeds from disposal of non-current assets	**2,800**	97
Purchases of investments	**(114,100)**	(113,393)
Proceeds from disposal of investments	**113,601**	555,000
Decrease in investments in associates	**400,000**	—
Proceeds from a finance lease as a sublease lessor	**1,861**	—
Increase in time deposits with original maturity of over three months	**(237,305)**	(80,000)
Dividend income from investments	**—**	16
Interest received	**43,702**	41,464
Net cash flows used in investing activities	**(505,313)**	(78,019)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	**5,720,572**	5,531,262
Repayment of bank and other borrowings	**(4,718,064)**	(5,034,479)
(Increase)/decrease in pledged deposits	**(116,195)**	123,748
Capital contribution from non-controlling shareholders	**105,555**	—
Principal portion of lease payments	**(11,469)**	(10,445)
Issue of shares	**—**	696,305
Repayment to a related party	**—**	(10,099)
Sale of shares repurchased for share award scheme	**—**	226,660
Net cash flows from financing activities	**980,399**	1,522,952
NET INCREASE IN CASH AND CASH EQUIVALENTS	**80,686**	2,134,660
Cash and cash equivalents at beginning of period	**3,238,973**	2,323,740
Effect of foreign exchange rate changes, net	**19,990**	14,367
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3,339,649**	4,472,767

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**3,337,760**	4,325,995
Time deposits	**3,013,865**	3,379,929
	6,351,625	7,705,924
Less:		
Current pledged deposits for letters of credit	**(48,625)**	(140,000)
Current pledged deposits for bank loans	**(174,963)**	(406,913)
Current pledged deposits for notes payable	**(993,388)**	(923,544)
Current pledged deposits for a letter of guarantee	**(286,000)**	(286,000)
Non-current pledged time deposits for notes payable	**—**	(50,000)
Non-current pledged time deposits for letters of credit	**—**	(100,000)
Time deposits with original maturity of over three months when acquired	**(1,509,000)**	(1,326,700)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	**3,339,649**	4,472,767

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with IAS 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 2023.

2. 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 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. 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 2024 (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	855,157	763,331	195,729	822,579	120,268	2,757,064
Sales of product know-how	250,000	–	–	–	–	250,000
Provision of research and development services	35,750	–	–	101	1,217	37,068
Out-licensing agreements	–	–	–	–	30,450	30,450
Total revenue	1,140,907	763,331	195,729	822,680	151,935	3,074,582
Segment results	631,765	266,795	34,780	232,967	61,417	1,227,724
Other income and gains						202,931
Administrative expenses						(289,179)
Other expenses						(334,008)
Finance costs						(277,836)
Share of profit of associates						345
Profit before tax						529,977

3. OPERATING SEGMENT INFORMATION (Continued)

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Revenue from contracts with customers	**3,074,582**	2,904,108

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024 (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
Type of goods or services						
Sales of products	855,157	763,331	195,729	822,579	120,268	2,757,064
Sales of product know-how	250,000	–	–	–	–	250,000
Provision of research and development services	35,750	–	–	101	1,217	37,068
Out-licensing agreements	–	–	–	–	30,450	30,450
Total	1,140,907	763,331	195,729	822,680	151,935	3,074,582
Geographical markets						
Chinese Mainland	1,140,907	759,463	193,117	399,439	151,935	2,644,861
Other countries	–	3,868	2,612	423,241	–	429,721
Total	1,140,907	763,331	195,729	822,680	151,935	3,074,582
Timing of revenue recognition						
Transferred at a point in time	1,105,157	763,331	195,729	822,579	150,718	3,037,514
Transferred over time	35,750	–	–	101	1,217	37,068
Total	1,140,907	763,331	195,729	822,680	151,935	3,074,582

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Disaggregated revenue information for revenue from contracts with customers (Continued)

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
Type of goods or services						
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	910,309	977,933	247,116	680,350	88,400	2,904,108
Geographical markets						
Chinese Mainland	910,309	973,820	246,218	168,009	88,400	2,386,756
Other countries	—	4,113	898	512,341	—	517,352
Total	910,309	977,933	247,116	680,350	88,400	2,904,108
Timing of revenue recognition						
Transferred at a point in time	878,163	977,933	247,116	670,572	78,916	2,852,700
Transferred over time	32,146	—	—	9,778	9,484	51,408
Total	910,309	977,933	247,116	680,350	88,400	2,904,108

4. REVENUE, OTHER INCOME AND GAINS (Continued)

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income and gains		
Bank interest income	**43,702**	51,272
Government grants*	**108,111**	81,055
Changes in fair value of investments	**35,093**	47,974
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
Lease and property management service income	**5,466**	5,892
Foreign exchange gain, net	**—**	70,667
Others	**10,559**	3,698
Total other income and gains	**202,931**	328,617

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

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of products sold	**963,428**	922,980
Depreciation of items of property, plant and equipment	**174,936**	177,333
Amortisation of other intangible assets	**159,997**	139,850
Depreciation of right-of-use assets	**13,372**	14,248
Auditor's remuneration	**2,877**	2,689
Research and development costs	**280,908**	295,155
Foreign exchange loss/(gain), net	**38,309**	(70,667)
Share-based payment expense	**10,292**	10,235
Surcharges for overdue tax payments	**271**	11,978
Donation	**3,983**	400
(Gain)/loss on disposal of non-current assets	**(8,375)**	126

6. FINANCE COSTS

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Interest on bank loans and other borrowings (including convertible bonds)	**228,424**	245,623
Interest on discounted notes receivable	**31,156**	23,129
Interest on discounted letters of credit	**7,895**	4,424
Interest on redemption liabilities	**8,089**	32,729
Interest on lease liabilities	**2,272**	932
Total	**277,836**	306,837

7. 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 during the six months ended 30 June 2024 and 2023 are:

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Current tax	**191,350**	124,882
Deferred tax	**(99,551)**	(41,248)
Total tax charge for the period	**91,799**	83,634

Pillar Two income taxes

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

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

8. DIVIDENDS

No interim dividend was declared by the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. 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 3,761,670,643 (six months ended 30 June 2023: 3,694,503,007) 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 2023 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 2024 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Carrying amount at beginning of period	**4,751,937**	4,255,990
Additions	**336,843**	889,819
Depreciation provided during the period	**(174,936)**	(349,948)
Exchange realignment	**(58)**	11,143
Disposals	**(1,725)**	(55,067)
Carrying amount at end of period	**4,912,061**	4,751,937

As at 30 June 2024, the Group was applying for the certificates of ownership for certain properties with a net book value of RMB772,996,000 (31 December 2023: RMB356,453,000). The directors of the Company are of the opinion that the use of the properties and the conduct of operating activities at those properties referred to above are not affected by the fact the Group had not yet obtained the relevant property title certificates. The Group is not able to assign, transfer or mortgage these assets until these certificates are obtained.

At 30 June 2024, certain of the Group's property, plant and equipment with net carrying amounts of approximately RMB432,272,000 (31 December 2023: RMB460,627,000) and RMB302,454,000 (31 December 2023: RMB350,227,000) were pledged to secure bank loans and other borrowings, respectively (note 18).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11. OTHER INTANGIBLE ASSETS

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Carrying amount at beginning of period	**6,317,880**	5,984,684
Additions	**345,995**	542,547
Amortisation provided during the period	**(159,997)**	(323,644)
Exchange realignment	**(927)**	114,293
Carrying amount at end of period	**6,502,951**	6,317,880

12. INVESTMENTS IN ASSOCIATES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Share of net assets	**987,970**	1,388,197

12. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the associates are as follows:

Company	Place of incorporation and business	Nominal value of issued/ registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Steward Cross Pte. Ltd. ("Steward Cross")	Singapore	SG$620,002	36	Distribution and sale of pharmaceutical drugs
Shandong Quanzhong Biomedical Technology Co., Ltd.	PRC/Chinese Mainland	RMB 1,000,000,000	28	Research and development of pharmaceutical products
Shenzhen Quanzhong Biomedical Technology Co., Ltd. ("Shenzhen Quanzhong") *(note)*	PRC/Chinese Mainland	RMB 500,000,000	46.2	Research and development of pharmaceutical products
Nanjing Quanzhong Biomedical Technology Co., Ltd. ("Nanjing Quanzhong") *(note)*	PRC/Chinese Mainland	RMB 500,000,000	46.2	Research and development of pharmaceutical products
Hangzhou Quanzhong Biomedical Technology Co., Ltd. ("Hangzhou Quanzhong") *(note)*	PRC/Chinese Mainland	RMB 500,000,000	46.2	Research and development of pharmaceutical products
Chengdu Quanzhong Biomedical Technology Co., Ltd. ("Chengdu Quanzhong") *(note)*	PRC/Chinese Mainland	RMB 500,000,000	46.2	Research and development of pharmaceutical products

Note: During the period, Shenzhen Quanzhong, Nanjing Quanzhong, Hangzhou Quanzhong and Chengdu Quanzhong reduced their respective nominal value of registered share capital from RMB800,000,000 to RMB500,000,000 and the Group received a total capital reduction amount of RMB400,000,000. Upon completion of this capital reduction, the Group's shareholdings in these associates remain consistent as at 31 December 2023.

The Group's shareholdings in the associates comprise equity shares held through wholly-owned subsidiaries of the Company.

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Current		
Other receivables	**934,133**	232,758
Lease payments receivable	**—**	4,174
Prepaid income tax	**12,638**	14,942
Value-added tax recoverable	**53,421**	83,587
Prepayments	**163,235**	94,128
Subtotal	**1,163,427**	429,589
Impairment	**(3,640)**	—
Total — current	**1,159,787**	429,589
Non-current		
Advance payments for property, plant and equipment and other intangible assets	**57,784**	38,664
Lease payments receivable	**—**	18,903
Other long-term receivables	**8,908**	8,892
Total — non-current	**66,692**	66,459
Total	**1,226,479**	496,048

Included in the Group's prepayments, other receivables and other assets were other receivables of RMB64,514,000 (31 December 2023: RMB94,008,000) due from related parties (note 22(b)).

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Current		
Listed equity investment, at fair value	**230**	228
Other unlisted investments, at fair value	**1,631,131**	1,595,539
	1,631,361	1,595,767
Non-current		
Unlisted equity investments, at fair value	**488,261**	488,261
Total	**2,119,622**	2,084,028

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

The above other unlisted investments were wealth management products issued by licensed financial institutions in Chinese Mainland and investment in a private fund. The fair values of the financial assets approximate to their costs plus expected interest. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

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

The fair value of the unlisted equity investments which are not quoted in an active market is valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves.

15. TRADE AND NOTES RECEIVABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade receivables	**2,321,920**	1,980,794
Notes receivable	**266,475**	377,023
Subtotal	**2,588,395**	2,357,817
Impairment	**(10,788)**	(2,918)
Net carrying amount	**2,577,607**	2,354,899

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

The notes receivable are due within twelve months. As at 30 June 2024, notes receivable of RMB53,797,000 (31 December 2023: RMB377,023,000) were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant for the six months ended 30 June 2024. The remaining notes receivable of RMB212,678,000 (31 December 2023: Nil) were measured at amortised cost.

15. TRADE AND NOTES RECEIVABLES (Continued)

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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 3 months	**1,758,769**	1,748,109
3 to 6 months	**171,763**	15,927
6 to 12 months	**328,664**	215,249
1 to 2 years	**61,918**	748
Over 2 years	**806**	761
Total	**2,321,920**	1,980,794

As at 30 June 2024, 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 RMB760,499,000 (31 December 2023: RMB431,164,000) (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 RMB3,213,178,000 (31 December 2023: RMB2,291,912,000) (the "Discount"). The Endorsed Notes and the Discounted Notes had a maturity from one to twelve months as at 30 June 2024. 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 certain Endorsed Notes and Discounted Notes with amounts of RMB670,747,000 (31 December 2023: RMB365,068,000) and RMB1,653,942,000 (31 December 2023: RMB1,250,758,000), respectively, 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.

15. TRADE AND NOTES RECEIVABLES (Continued)

For the remaining Endorsed Notes and 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 Discounted Notes, including the sale, transfer or pledge of the Endorsed Notes or the Discounted Notes to any other third parties. As at 30 June 2024, the aggregate carrying amount of the trade and other payables settled by the Endorsed Notes to which the suppliers have recourse was RMB89,752,000 (31 December 2023: RMB66,096,000), and the aggregate carrying amount financed by the Discounted Notes to which the banks have recourse was RMB1,559,236,000 (31 December 2023: RMB1,041,154,000).

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 and the Discount have been made evenly throughout the period.

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Cash and bank balances	**3,337,760**	784,207
Time deposits	**3,013,865**	4,870,597
	6,351,625	5,654,804
Less:		
Current pledged deposits for letters of credit	**(48,625)**	(45,632)
Current pledged deposits for bank loans	**(174,963)**	(61,761)
Current pledged deposits for notes payable	**(993,388)**	(591,103)
Current pledged deposits for a letter of guarantee	**(286,000)**	(286,000)
Non-current pledged time deposits for notes payable	**—**	(159,640)
Time deposits with original maturity of over three months when acquired	**(1,509,000)**	(1,271,695)
Cash and cash equivalents	**3,339,649**	3,238,973
Denominated in RMB	**3,281,486**	3,113,177
Denominated in HK$	**4,541**	4,693
Denominated in US$	**22,321**	59,067
Denominated in EUR	**23,003**	50,089
Denominated in other currencies	**8,298**	11,947
Total	**3,339,649**	3,238,973

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (Continued)

The RMB is not freely convertible into other currencies. However, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Chinese Mainland is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 30 June 2024, deposits of RMB174,963,000 (31 December 2023: RMB61,761,000) were pledged to secure bank loans (note 18).

As at 30 June 2024, deposits of RMB714,983,000 (31 December 2023: RMB424,353,000) and RMB278,405,000 (31 December 2023: RMB326,390,000) were pledged to secure intra-group notes payable and notes payable (note 17), respectively.

17. TRADE AND NOTES PAYABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade payables	**450,886**	427,026
Notes payable	**346,122**	340,161
Total	**797,008**	767,187

17. TRADE AND NOTES PAYABLES (Continued)

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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 3 months	**653,032**	675,331
3 to 6 months	**63,844**	46,860
6 to 12 months	**58,068**	30,033
1 to 2 years	**16,485**	9,091
Over 2 years	**5,579**	5,872
Total	**797,008**	767,187

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

As at 30 June 2024, the Group's notes payable were secured by certain of the Group's deposits amounting to RMB278,405,000 (31 December 2023: RMB326,390,000) (note 16).

The maturity of the notes payable is within twelve months.

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 30 June 2024

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	2.85~4.80	2024~2025	3,266,333
EUR4,544,114 bank loan — secured	5.21	2024	34,816
Current portion of long-term bank loans — secured	3.55~5.00	2025	186,596
Current portion of long-term US$115,419,739 bank loan — secured	3-month LIBOR+2.85	2025	822,573
Current portion of long-term other borrowings — secured	5.10~6.00	2025	186,381
Discounted notes receivable	1.22~4.85	2024~2025	1,549,677
Discounted letters of credit	1.66~3.65	2024	604,693
Lease liabilities	3.50~8.29	2024~2025	17,954
Total — current			6,669,023
Non-current			
Bank loans — secured	3.55~5.00	2026~2031	867,875
Long-term other borrowings — secured	5.10~6.00	2026~2028	689,121
Long-term other borrowings — unsecured	3.00	2026	203,090
Lease liabilities	4.20~8.29	2025~2028	50,089
Total — non-current			1,810,175
Total interest-bearing bank and other borrowings			8,479,198
Convertible bonds — debt component	6.25	2028	974,094
Total			9,453,292

18. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2023

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

18. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

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

(i) the pledge of certain of the Group's deposits of RMB174,963,000 (31 December 2023: RMB61,761,000) (note 16);

(ii) the pledge of certain of the Group's property, plant and equipment, which had a net carrying value at the end of the reporting period of approximately RMB432,272,000 (31 December 2023: RMB460,627,000) (note 10);

(iii) the pledge of certain of the Group's right-of-use assets, which had a net carrying value at the end of the reporting period of approximately RMB5,656,000 (31 December 2023: RMB5,735,000); and

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

(b) Certain of the Group's other borrowings are from independent third parties, bear interest at rates ranging from 5.1% to 6.0% 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 RMB302,454,000 (31 December 2023: RMB350,227,000) (note 10).

19. CONVERTIBLE BONDS

On 6 July 2023, the Company issued 6.25 per cent convertible bonds with an aggregate principal amount of US$180,000,000. The bonds are convertible at the option of the bondholders into ordinary shares with the initial conversion price of HK$4.88 per share any time on or after 16 August 2023 and up to the close of business on the date falling ten days prior to 6 July 2028. On 6 July 2026, the holder of each bond will have the right at such holder's option, to require the Company to redeem all or some only of the bonds at their principal amount, together with interest accrued but unpaid. Any convertible bonds not converted will be redeemed on 6 July 2028 at its principal amount together with accrued but unpaid interest thereon. The bonds carry interest at a rate of 6.25 per cent per annum, which is payable semi-annually in arrears on 6 January and 6 July. None of the convertible bonds were repaid or redeemed during the period.

20. PROVISION

Luye Hong Kong was involved in an arbitration brought by the former distributor of Seroquel in Chinese Mainland disputing the subsidiary's basis of terminating the distribution agreement with such distributor. During the year ended 2021, Luye Hong Kong received the arbitral award from the Hong Kong International Arbitration Centre in relation to the arbitration, and the tribunal made final verdict on the amount of claim as approximately RMB273,482,000, which also included such distributor's arbitration fees and interests related. Accordingly, a provision for the claimed amount was made in the financial statements. Thereafter, Luye Hong Kong submitted the application for revoking the arbitral award to the Hong Kong High Court, and the decision was handed down that Luye Hong Kong's application for setting aside the award was dismissed ("Setting Aside Decision"). Subsequently, Luye Hong Kong applied for and was granted leave to appeal against the Setting Aside Decision. During the period, an additional provision of RMB7,277,000 was provided for the interest charged on the claim amount (six months ended 30 June 2023: RMB7,888,000).

21. COMMITMENTS

The Group had the following contractual commitments as at the end of the reporting period:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Buildings	**119,937**	242,724
Machinery and equipment	**487,503**	603,556
Other intangible assets	**57,411**	57,394
Total	**664,851**	903,674

22. RELATED PARTY TRANSACTIONS

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

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

22. RELATED PARTY TRANSACTIONS (Continued)

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

	Notes	For the six months ended 30 June 2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Sales of products to:			
Steward Cross	(i)	**5,263**	5,035
Qingdao Luye	(i)	**3,444**	2,709
Lease buildings and equipment to:			
Yantai Painuo	(ii)	**2,508**	5,892
Provision of manufacturing service to:			
Yantai Painuo	(ii)	**976**	1,448
Provision of property management service to:			
Yantai Painuo	(ii)	**47**	368
Accommodation services from:			
Yunyue Winery	(ii)	**34**	23
Lease and property management services from:			
Biotech Park Development	(ii)	**6,719**	3,184
Payment on behalf by:			
Biotech Park Development	(iii)	**5,545**	3,303
Repayment to:			
Biotech Park Development	(iii)	**5,816**	3,864
Luye Life Sciences	(iii)	**—**	15,157
Payment on behalf of:			
Yantai Painuo	(iii)	**853**	—
Shanghai Sairun	(iii)	**438**	1,608
Advances from:			
Luye Life Sciences	(iii)	**—**	5,058

22. RELATED PARTY TRANSACTIONS (Continued)

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

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 costs incurred 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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Other receivables		
Yantai Painuo	**61,820**	86,088
Qingdao Luye	**—**	5,702
Steward Cross	**2,256**	2,218
Shanghai Sairun*	**438**	—
	64,514	94,008
Other payables		
Biotech Park Development*	**1,088**	2,997
Yantai Cellzone	**1,164**	1,164
	2,252	4,161
Lease liabilities		
Biotech Park Development	**1,190**	1,190

* *The balances were non-trade in nature.*

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

23. SHARE-BASED PAYMENTS

Share-based payment scheme of Boan Biotech

In December 2020, the board of directors of Boan Biotech passed a resolution to grant equity interests of Boan Biotech to the eligible employees (including directors) in order to provide incentives and rewards to participants for the business development of Boan Biotech. Subsequently, Yantai Bolian Investment Centre Limited Partnership ("Yantai Bolian"), Yantai Bosheng Investment Centre Limited Partnership ("Yantai Bosheng") and Yantai Bofa Investment Centre Limited Partnership ("Yantai Bofa"), three employee incentive platforms established in the PRC, subscribed paid-in capital of RMB21,380,000, RMB14,930,000 and RMB11,250,000 of Boan Biotech for total considerations of RMB64,140,000, RMB44,790,000 and RMB33,750,000, respectively.

On 27 January 2021, 4.4247% of the then equity interest in Boan Biotech was granted to 36 selected directors and employees of Boan Biotech for a consideration of RMB64,140,000 through Yantai Bolian. 3.0898% of the then equity interest in Boan Biotech was granted to 45 selected directors and employees of Boan Biotech for a consideration of RMB44,790,000 through Yantai Bosheng. 2.3282% of the then equity interest in Boan Biotech was granted to 47 selected directors and employees of Boan Biotech for a consideration of RMB33,750,000 through Yantai Bofa. The management has the power to select the eligible employees and Boan Biotech derive benefits from the services of the employees who have been granted the then equity interest through their continued employment with Boan Biotech.

Pursuant to the partnership agreements of Yantai Bolian, Yantai Bosheng and Yantai Bofa (collectively referred to as the "ESOP Entities"), (i) the ESOP Entities shall not dispose of any of the shares they held within 36 months immediately following the date of Boan Biotech's listing (the "ESOP Lock-up Period"); and (ii) a partner is entitled to direct the ESOP Entities to dispose of his/her share of the shares held by the ESOP Entities (based on his/her shareholding percentage in the ESOP Entities) (the "ESOP Shares") in the following manner: (a) 25% of his/her ESOP Shares upon the expiry of 12 months following the day after the ESOP Lock-up Period; (b) 50% of his/her ESOP Shares upon the expiry of 24 months following the day after the ESOP Lock-up Period; (c) 75% of his/her ESOP Shares upon the expiry of 36 months following the day after the ESOP Lock-up Period; and (d) 100% of his/her ESOP Shares upon the expiry of 48 months following the day after the ESOP Lock-up Period. If a person cease to be qualified as a partner during the vesting period, the general partner shall have the right to purchase or appoint other eligible employees to purchase the share of that person at cost or cost plus market interest. In August 2021, the ESOP Lock-up Period was revised as 12 months immediately following the date of Boan Biotech's listing pursuant to the updated partnership agreements.

23. SHARE-BASED PAYMENTS (Continued)

Share-based payment scheme of Boan Biotech (Continued)

The fair value of services received in return for equity interests granted is measured by reference to the fair value of the equity interests granted less the consideration received by Boan Biotech.

The fair value of the equity interests granted is determined by the back-solve method and equity value allocation based on the option pricing model at the grant date.

The following table lists the inputs to the model used:

	Year ended 31 December 2021
Risk-free interest rate (%)	2.9%
Volatility (%)	42.0%

The Group recognised a share-based payment expense of RMB10,292,000 during the period (six months ended 30 June 2023: RMB10,235,000).

24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2024 and 31 December 2023 are as follows:

As at 30 June 2024 (Unaudited)

Financial assets

	Financial assets at fair value through profit or loss				
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	97,919	–	97,919
Notes receivable	–	–	53,797	212,678	266,475
Trade receivables	–	–	–	2,311,132	2,311,132
Financial assets included in prepayments, other receivables and other assets	–	–	–	939,401	939,401
Financial assets at fair value through profit or loss	1,263	2,118,359	–	–	2,119,622
Cash and cash equivalents	–	–	–	3,339,649	3,339,649
Time deposits with original maturity of over three months	–	–	–	1,509,000	1,509,000
Pledged deposits	–	–	–	1,502,976	1,502,976
Total	1,263	2,118,359	151,716	9,814,836	12,086,174

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and notes payables	797,008
Financial liabilities included in other payables and accruals	1,159,053
Convertible bonds	974,094
Other non-current liabilities	268,417
Interest-bearing bank and other borrowings	8,479,198
Total	11,677,770

24. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at 30 June 2024 and 31 December 2023 are as follows: (Continued)

As at 31 December 2023 (Audited)

Financial assets

	Financial assets at fair value through profit or loss				
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	—	—	91,976	—	91,976
Notes receivable	—	—	377,023	—	377,023
Trade receivables	—	—	—	1,977,876	1,977,876
Financial assets included in prepayments, other receivables and other assets	—	—	—	264,727	264,727
Financial assets at fair value through profit or loss	1,263	2,082,765	—	—	2,084,028
Cash and cash equivalents	—	—	—	3,238,973	3,238,973
Time deposits with original maturity of over three months	—	—	—	1,271,695	1,271,695
Pledged deposits	—	—	—	1,144,136	1,144,136
Total	1,263	2,082,765	468,999	7,897,407	10,450,434

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and notes payables	767,187
Financial liabilities included in other payables and accruals	1,221,918
Convertible bonds	937,875
Other non-current liabilities	259,975
Interest-bearing bank and other borrowings	7,486,072
Total	10,673,027

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

During the reporting period, the fair values of the Group's financial instruments approximated to their respective carrying amounts.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Management has determined that the carrying amounts of cash and cash equivalents, pledged deposits, trade receivables, notes receivable classified as debt investments at amortised cost, financial assets included in prepayments, other receivables and other assets, trade and notes payables, financial liabilities included in other payables and short-term interest-bearing bank and other borrowings, based on their notional amounts, reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The fair values of the non-current portion of pledged deposits, interest-bearing bank and other borrowings, long-term receivables and payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of the reporting period was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income are based on recently executed transaction prices in securities of the issuer. The fair value of the unlisted equity investment at fair value through profit or loss has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the management to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, which is price to book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a book value measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to measure the fair value of the unlisted equity investment. The management believes that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related change in fair values, which is recorded in the consolidated statement of profit and loss, are reasonable, and that it was the most appropriate value at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by licensed financial institutions in Chinese Mainland and investment in a private fund. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the notes receivable classified as financial assets at fair value through other comprehensive income as at 30 June 2024 have been calculated by discounting the expected future cash flows, which are the par values of the notes receivable. In addition, the notes receivable will mature within twelve months, thus their fair values approximate to their carrying values.

The fair values of the convertible bonds — embedded derivative component was determined using discounted cash flow method and are within Level 3 fair value measurement.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2024 and 31 December 2023:

	Valuation technique	Significant unobservable inputs	Weighted average rate	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Market approach	Discount for lack of marketability	20% (31 December 2023: 20%)	1% (31 December 2023: 1%) increase/ decrease in discount would result in decrease/increase in fair value by RMB14,000 (31 December 2023: RMB14,000)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2024 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	2,915	95,004	–	97,919
Notes receivable	–	53,797	–	53,797
Financial assets at fair value through profit or loss	230	2,118,129	1,263	2,119,622
Total	3,145	2,266,930	1,263	2,271,338

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2023 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	3,159	88,817	—	91,976
Notes receivable	—	377,023	—	377,023
Financial assets at fair value through profit or loss	228	2,082,537	1,263	2,084,028
Total	3,387	2,548,377	1,263	2,553,027

The Group did not have any financial liabilities measured at fair value as at 30 June 2024 and 31 December 2023.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2023: Nil).

26. EVENTS AFTER THE REPORTING PERIOD

On 22 July 2024, Shenzhen Luye Private Equity Investment Fund Partnership (Limited Partnership) (the "Investor") and the Group entered into an agreement, pursuant to which the Investor has conditionally agreed to make an investment of up to RMB1,600,000,000 in a subsidiary of the Company, Luye Pharma (Shenzhen) Co. Ltd. ("Shenzhen Luye"), which will be implemented sequentially in several steps. Upon completion of the investment, the Investor will hold a total of 34.8% equity interest in Shenzhen Luye. For further details of the investment, please refer to the announcements of the Company dated 22 July 2024 and 12 August 2024.