



**Luye Pharma Group Ltd.**  
**绿叶制药集团有限公司**

*(incorporated in Bermuda with limited liability)*

**Stock Code: 2186**



**INTERIM  
REPORT 2015**



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# Company Overview

Luye Pharma Group Ltd. (the “Company”, together with its subsidiaries collectively the “Group” or “Luye”) focuses on developing, producing, marketing and selling innovative pharmaceutical products in three of the largest and fastest growing therapeutic areas in the People’s Republic of China (the “PRC” or “China”) — oncology, cardiovascular system and alimentary tract and metabolism. The Group’s product portfolio consists of 30 products and centres around five key products, four of which have patent protection and are indicated for the treatment or prevention of high prevalence medical conditions, including cancer, cardiovascular diseases and diabetes. The Group has established production facilities and research and development (“R&D”) centres in Beijing, Jiangsu, Shandong and Sichuan in China as well as offices in Malaysia and Singapore with over 3,300 employees, including over 285 R&D personnel. The Group’s products are marketed and sold in a vast majority of provinces, autonomous regions and municipalities in the PRC, as well as a number of foreign countries and regions. The Group’s nationwide sales and distribution network enabled it to sell its products to over 8,500 hospitals in the PRC.

The history of the Group began with the establishment of Shandong Luye Pharmaceutical Co. Ltd., formerly known as Yantai Luye Pharmaceutical Co. Ltd., on 8 June 1994, to engage in the manufacture and sale of pharmaceutical products as well as active pharmaceutical ingredients. As the Group’s business continued to expand and required further capital to fund its operations and expansion plan, the Group sought a listing on the main board of the Singapore Exchange Securities Trading Limited, or SGX-ST, in 2004 with the aim of gaining access to capital markets and raising its corporate profile. To prepare for the listing on the SGX-ST, the Group carried out a corporate reorganisation and as part of such reorganisation, the Company was incorporated in Bermuda on 2 July 2003 to act as the holding company of the Group. In 2012, Luye Pharmaceutical Investment Co. Ltd. made a privatisation offer, and as a result of which the Company became a wholly-owned subsidiary of Luye Pharmaceutical Investment Co. Ltd.. The Company’s shares were delisted from the SGX-ST on 29 November 2012. On 9 July 2014, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Over the past 21 years, the Group has grown into an international pharmaceutical group with market leading position in its key therapeutic areas. With the corporate value of “Professional Technology Serves Human Health” and the corporate philosophy of “Customer Orientation, Efficiency, and Employee Achievement”, the Group is committed to providing high quality pharmaceutical products and professional services for customers and patients.

# 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. PAN Jian  
Mr. LIU Dong  
Ms. WANG Xin

### Independent Non-executive Directors

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

## COMPANY SECRETARY

Ms. LAI Siu Kuen

## AUTHORISED 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

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 15 Chuang Ye Road  
High-tech Industrial Development Zone  
Yantai, Shandong  
264003  
People's Republic of China

Unit D, 3rd Floor  
Hongqiao Business Centre  
No. 2272 Hongqiao Road  
Shanghai 200336  
People's Republic of China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3207, 32/F, Citibank Tower  
Citibank Plaza  
3 Garden Road, Central  
Hong Kong

## Corporate Information (Continued)

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17th Floor, Hopewell Center  
183 Queen's Road East  
Wanchai  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### LEGAL ADVISERS

*as to Hong Kong and United States laws:*

Ashurst Hong Kong  
11/F, Jardine House  
One Connaught Place  
Central  
Hong Kong

*as to PRC law:*

King & Wood Mallesons  
40/F, Office Tower A  
Beijing Fortune Plaza  
7 Dongsanhuan Zhonglu  
Chaoyang District  
Beijing  
People's Republic of China

*as to Bermuda law:*

Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### COMPLIANCE ADVISOR

Guotai Junan Capital Limited  
27/F, Low Block  
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181 Queen's Road Central  
Hong Kong

### AUDITORS

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Certified Public Accountants  
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1 Tim Mei Avenue  
Central  
Hong Kong

### STOCK CODE

2186

### COMPANY'S WEBSITE

[www.luye.cn](http://www.luye.cn)

### PRINCIPAL BANKERS

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

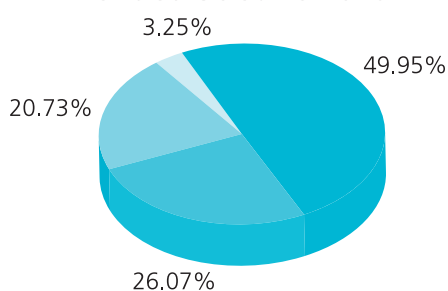
# Financial Highlight

For the six months ended 30 June 2015:

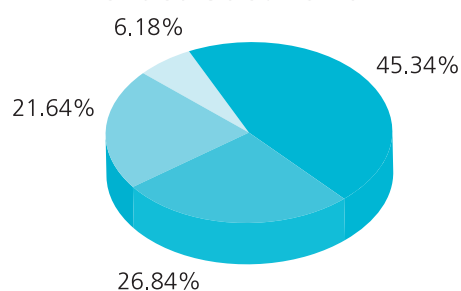
- Revenue increased by RMB203.4 million or 13.1% to RMB1,750.7 million, as compared to the six months ended 30 June 2014.
- Revenue from sales of the Group's five key products increased by RMB261.3 million or 23.1% to RMB1,390.7 million, as compared to the six months ended 30 June 2014.
- Gross profit increased by RMB191.2 million or 14.7% to RMB1,488.3 million, as compared to the six months ended 30 June 2014, and gross profit margin reached 85.0%.
- EBITDA increased by RMB93.9 million or 21.9% to RMB521.8 million, as compared to the six months ended 30 June 2014.
- Profit attributable to shareholders increased by RMB104.3 million or 37.1% to RMB385.4 million, as compared to the six months ended 30 June 2014.
- Earnings per share was RMB11.61 cents compared to RMB10.43 cents for the six months ended 30 June 2014.

	2011	2012	2013	2014	30 June 2014	<b>30 June 2015</b>
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	<b>RMB' 000</b>
Revenue	1,774.4	2,135.9	2,515.1	3,154.2	1,547.3	<b>1,750.7</b>
Gross Profit	1,473.3	1,784.1	2,101.6	2,671.7	1,297.1	<b>1,488.3</b>
EBITDA	299.4	368.2	508.1	875.8	427.9	<b>521.8</b>
Net Profit	166.2	175.6	327.9	614.4	286.2	<b>394.1</b>
Profit attributable to owner of the parent	155.8	169.0	310.5	605.5	281.2	<b>385.4</b>
Total Assets	2,442.4	2,677.6	3,387.5	6,130.8	3,464.5	<b>6,944.0</b>
Total Liabilities	1,038.0	1,093.8	1,489.8	1,093.2	1,808.9	<b>1,519.6</b>
Equity	1,404.4	1,583.8	1,897.7	5,037.6	1,655.6	<b>5,424.4</b>

Revenue for the six months ended 30 June 2015



Revenue for the six months ended 30 June 2014



■ oncology    
 ■ cardio-vascular system    
 ■ Alimentary tract and metabolism    
 ■ Others

# Management Discussion and Analysis

## BUSINESS OVERVIEW

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

## MARKET POSITIONING

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

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

## KEY PRODUCTS

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

### Lipusu® (力撲素®)

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

## Management Discussion and Analysis (Continued)

### CMNa<sup>®</sup> (希美納<sup>®</sup>)

CMNa is sodium glycididazole, a proprietary compound that the Group prepares in injectable form and is indicated for use in connection with radiotherapy for certain solid tumours. It is a Class I New Chemical Drug and the only CFDA approved sensitiser for cancer radiotherapy in China. According to the CFDA, CMNa was the only glycididazole product available for sale in China as of 30 June 2015. An independent third party study in 2009 concluded that the use of CMNa for the treatment of certain cancers increased the probability of complete or partial remission and reduced overall treatment costs.

### Xuezhikang<sup>®</sup> (血脂康<sup>®</sup>)

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

### Maitongna<sup>®</sup> (麥通納<sup>®</sup>)

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

### Bei Xi<sup>®</sup> (貝希<sup>®</sup>)

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

## R&D

The Group's R&D activities are organised around three platforms — long-acting and extended release technology, liposome and targeted drug delivery and new compounds. The Group balances clinical development risk by strategically allocating its efforts between proprietary formulations of proven compounds and new chemical entities. The Group believes that its R&D capabilities will be the driving force behind the Group's long-term competitiveness, as well as the Group's future growth and development.

As of 30 June 2015, the Group's R&D team consisted of 285 employees, including 35 Ph.D. degree holders and 133 Master's degree holders in medical, pharmaceutical and other related areas. As of 30 June 2015, the Group had been granted 277 patents and had 55 pending patent applications in the PRC, as well as 102 patents and 79 pending patent applications overseas.



## Management Discussion and Analysis (Continued)

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

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

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

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

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

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

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

# Management Discussion and Analysis (Continued)

## SALES, MARKETING AND DISTRIBUTION

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

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

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

The Group believes that its sales and marketing model and extensive coverage of hospitals and other medical institutions represent a significant competitive advantage and a culmination of both academic promotion by the Group's in-house personnel in different regions and partnerships with high-quality distributors across China. The Group also believes that its sales and marketing model also provides a solid foundation for the Group to continue to enhance market awareness of its brand and expand the market reach of its products.

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

# Management Discussion and Analysis (Continued)

## OUTLOOK

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

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

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

## FINANCIAL REVIEW

### Revenue

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

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

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

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

## Management Discussion and Analysis (Continued)

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

### Cost of Sales

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

### Gross Profit

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

### Other Income and Gains

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

### Selling and Distribution Expenses

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

### Administrative Expenses

The Group's administrative expenses primarily consisted of staff cost, general operating expense, conference and entertainment expense, travel and transportation expense, depreciation, amortisation and impairment loss, auditor's remuneration, consulting expenses, bank charges, taxation and other administrative expenses. For the six months ended 30 June 2015, the Group's administrative expenses amounted to RMB83.7 million, as compared to RMB91.7 million for the six months ended 30 June 2014, representing a decrease of approximately RMB8.0 million, or 8.7%. The decrease was mainly due to a one-off listing expense incurred during the six months ended 30 June 2014 and offset by higher staff cost and general operating expenses during the six months ended 30 June 2015.

# Management Discussion and Analysis (Continued)

## Other Expenses

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

## Finance Costs

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

## Income Tax Expense

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

## Net Profit

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

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Net Current Assets

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

### Borrowings and Pledge of Assets

As at 30 June 2015, the Group had an aggregate interest-bearing bank and other borrowings of approximately RMB603.5 million, as compared to RMB305.5 million as at 31 December 2014. Amongst the bank and other borrowings, approximately RMB603.0 million are repayable within one year, and approximately RMB0.5 million are repayable after two years. The increase in bank borrowings is mainly for the working capital of the Company. The bank loans were secured by the Group's time deposits. For details, please refer to note 15 and note 17 to the Interim Condensed Consolidated Financial Statements in this interim report.

### Gearing Ratio

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

# Management Discussion and Analysis (Continued)

## Contingent Liabilities

As at 30 June 2015, the Group had no significant contingent liabilities.

## Foreign Exchange and Exchange Rate Risk

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits and bank borrowings, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value of interest payment and repayment of foreign currency bank borrowings. Despite that RMB depreciated against the U.S. dollar and the Hong Kong dollar during the six months ended 30 June 2015, the directors of the Company (the "Directors") expect that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operation of the Group.

## Employees and Remuneration Policy

As at 30 June 2015, the Group employed a total of 3,307 employees, as compared to a total of 3,359 employees as at 31 December 2014. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB172.2 million for the six months ended 30 June 2015 as compared to RMB166.3 million for the corresponding period in 2014.

The objective of the Group's remuneration policy is to motivate and retain talented employees to achieve the Group's long-term corporate goals and objectives. The Group's employee remuneration policy is determined by taking into account factors such as remuneration in respect of the overall remuneration standard in the industry and employee's performance. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Moreover, the social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

# Management Discussion and Analysis (Continued)

## HEDGING ACTIVITIES

During the six months ended 30 June 2015, the Group did not enter into any hedging transactions in respect of foreign currency risk or interest rate risk.

## USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Company's initial public offering of the Company's shares on the Stock Exchange ("IPO") (after deducting the underwriting fees and related expenses) amounted to HK\$3,845 million, which are intended to be applied in the manner consistent with that set out in the Company's prospectus dated 26 June 2014. As at 29 August 2015, the Group had utilised HK\$1,026.7 million, representing 26.7% of the net proceeds received by the Company from the IPO. Set out below is a summary of the utilisation of the net proceeds:

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

## SIGNIFICANT INVESTMENTS HELD

As at 30 June 2015, the Group had available-for-sale financial assets of approximately RMB1,398.3 million, which represents the outstanding balance of the wealth management products subscribed by the Group with various banks as at the end of the interim period. For details, please refer to the Company's announcement dated 1 June 2015 and note 13 to the Interim Condensed Consolidated Financial Statements in this interim report.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of the date of this report, the Group does not have any current plans for material investments or capital assets.

## INTERIM DIVIDEND

The board of directors of the Company (the "Board") does not recommend any interim dividend for the six months ended 30 June 2015.

# Other Information

## CORPORATE GOVERNANCE PRACTICES

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

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

### Code Provision A.2.1 of the CG Code

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## AUDIT COMMITTEE

The Board has established an audit committee (the “Audit Committee”) which comprises three independent non-executive Directors, namely Mr. LEUNG Man Kit (chairman), Mr. ZHANG Hua Qiao and Professor LO Yuk Lam.

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

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



## Other Information (Continued)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2015, the interests and short positions of the Directors, including the chief executive of the Company, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as set out below.

#### Interest in the Company

Name of Director	Nature of interest	Total number of ordinary shares held	Approximate percentage of shareholding
Mr. LIU Dian Bo <sup>(1)(2)</sup>	Founder of a discretionary trust	1,469,999,930 (L)	44.26% (L)

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

Notes:

1. Mr. LIU Dian Bo through his controlled corporations, namely Shorea LBG, Ginkgo Trust Limited, Nelumbo Investments Limited, Luye Group Ltd, Luye Pharma Holdings Ltd., Luye Pharmaceutical International Co., Ltd. and Luye Pharmaceutical Investment Co., Ltd., is deemed to be interested in 1,469,999,930 ordinary shares in the Company held by Luye Pharmaceutical Investment Co., Ltd. Nelumbo Investments Limited holds 70% of the issued share capital of Luye Group Ltd.
2. The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo Trust Limited as trustee of the family trust of Mr. LIU Dian Bo. Ginkgo Trust Limited is wholly owned by Shorea LBG whose sole shareholder is Mr. LIU Dian Bo.

## Other Information (Continued)

### Interest in associated corporations

Name of Director	Associated Corporation	Nature of interest	Total number of shares held	Approximate percentage in the registered capital of the associated corporation
Mr. LIU Dian Bo	Luye Group Ltd <sup>(1)</sup>	Founder of a discretionary trust	8,400 (L)	70%
Mr. LIU Dian Bo	Luye Pharma Holdings Ltd.	Founder of a discretionary trust	1,136,852 (L)	100%
Mr. LIU Dian Bo	Luye Pharmaceutical International Co., Ltd.	Founder of a discretionary trust	202,180,988 (L)	100%
Mr. LIU Dian Bo	Luye Pharmaceutical Investment Co., Ltd.	Founder of a discretionary trust	1 (L)	100%
Mr. LIU Dian Bo	Nelumbo Investments Limited <sup>(2)</sup>	Founder of a discretionary trust	1 (L)	100%
Mr. LIU Dian Bo	Ginkgo Trust Limited <sup>(2)</sup>	Founder of a discretionary trust	1 (L)	100%
Mr. YANG Rong Bing	Luye Group Ltd <sup>(1)</sup>	Beneficial interest	1,800 (L)	15%
Mr. YUAN Hui Xian	Luye Group Ltd <sup>(1)</sup>	Beneficial interest	1,800 (L)	15%

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

Notes:

(1) Luye 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.

(2) The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo Trust Limited as trustee of the family trust of Mr. LIU Dian Bo.

Save as disclosed above, as at 30 June 2015, none of the Directors, including the chief executive of the Company, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this interim report and as of 30 June 2015, 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.

## Other Information (Continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2015, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or 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 Division 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:

#### Interest in the Company

Name of substantial shareholder	Capacity/Nature of interest	Number of ordinary shares held	Approximate % of interest in the Company
Luye Pharmaceutical Investment Co., Ltd. <sup>(1)</sup>	Beneficial owner	1,469,999,930 (L)	44.26%
Luye Pharmaceutical International Co., Ltd. <sup>(1)</sup>	Interest in controlled corporation	1,469,999,930 (L)	44.26%
Luye Pharma Holdings Ltd. <sup>(1)</sup>	Interest in controlled corporation	1,469,999,930 (L)	44.26%
Luye Group Ltd. <sup>(2)</sup>	Interest in controlled corporation	1,469,999,930 (L)	44.26%
Nelumbo Investments Limited <sup>(2)</sup>	Interest in controlled corporation	1,469,999,930 (L)	44.26%
Ginkgo Trust Limited <sup>(2)</sup>	Trustee	1,469,999,930 (L)	44.26%
Shorea LBG <sup>(2)</sup>	Interest in controlled corporation	1,469,999,930 (L)	44.26%
Value Partners Group Limited <sup>(3)</sup>	Interest in controlled corporation	232,289,500 (L)	6.99%
CPE Greenery Ltd. <sup>(4)</sup>	Beneficial owner	196,561,695 (L)	5.92%
CPEChina Fund, L.P. <sup>(4)</sup>	Interest in controlled corporation	196,561,695 (L)	5.92%
CITIC PE Associates, L.P. <sup>(4)</sup>	Interest in controlled corporation	196,561,695 (L)	5.92%
CITIC PE Funds Limited <sup>(4)</sup>	Interest in controlled corporation	196,561,695 (L)	5.92%

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

Notes:

- (1) Luye Pharmaceutical Investment Co., Ltd. is wholly owned by Luye Pharmaceutical International Co., Ltd., which is in turn wholly owned by Luye Pharma Holdings Ltd.
- (2) Nelumbo Investments Limited holds 70% of the issued share capital of Luye Group Ltd. The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo Trust Limited as trustee of the family trust of Mr. LIU Dian Bo. Ginkgo Trust Limited is wholly owned by Shorea LBG whose sole member is Mr. LIU Dian Bo.
- (3) Value Partners Limited holds 232,289,500 ordinary shares of the Company. Value Partners Limited is wholly owned by Value Partners Hong Kong Limited, which is in turn wholly owned by Value Partners Group Limited.
- (4) CPE Greenery Ltd. is wholly owned by CPEChina Fund, L.P. The general partner of CPEChina Fund, L.P. is CITIC PE Associates, L.P. The general partner of CITIC PE Associates, L.P. is CITIC PE Funds Limited.

Save as disclosed above, as at 30 June 2015, the Directors have not been aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would required to be disclosed to the Company under the provisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under section 336 of the SFO.

# Report on Review of Interim Condensed Consolidated Financial Statements



22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

**To the shareholders of Luye Pharma Group Ltd.**  
*(incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 20 to 42, which comprises the interim condensed consolidated statement of financial position of Luye Pharma Group Ltd. and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2015 and the related interim 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 condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagements, 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 condensed consolidated financial statements 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong  
29 August 2015

# Interim Condensed Consolidated Statement of Profit or Loss

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

# Interim Condensed Consolidated Statement of Comprehensive Income

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

# Interim Condensed Consolidated Statement of Financial Position

	Notes	As at	
		30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	1,126,304	1,092,151
Advance payments for property, plant and equipment		26,137	34,227
Prepayments, deposits and other receivables	12	—	700,000
Prepaid land lease payments		188,449	194,193
Goodwill		347,356	347,356
Other intangible assets		134,545	145,888
Investment in an associate		5,855	5,485
Available-for-sale investments	13	2,212	2,242
Deferred tax assets		83,890	83,259
<b>Total non-current assets</b>		<b>1,914,748</b>	<b>2,604,801</b>
<b>CURRENT ASSETS</b>			
Inventories		223,366	251,198
Trade and notes receivables	14	1,394,597	914,130
Prepayments, deposits and other receivables		67,837	53,502
Due from related parties	19(b)	5,085	2,655
Available-for-sale investments	13	1,398,290	1,845,392
Pledged time deposits	15	322,626	127,215
Time deposits with original maturity of over three months	15	540,000	180,000
Cash and cash equivalents	15	1,077,420	151,863
<b>Total current assets</b>		<b>5,029,221</b>	<b>3,525,955</b>
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	16	56,362	59,044
Other payables and accruals		552,079	439,576
Interest-bearing loans and borrowings	17	602,977	304,899
Government grants		37,795	37,049
Tax payable		65,446	47,668
<b>Total current liabilities</b>		<b>1,314,659</b>	<b>888,236</b>
<b>NET CURRENT ASSETS</b>		<b>3,714,562</b>	<b>2,637,719</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,629,310</b>	<b>5,242,520</b>

## Interim Condensed Consolidated Statement of Financial Position (Continued)

	Note	As at	
		30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	17	558	638
Government grants		108,355	106,605
Deferred tax liabilities		96,047	97,717
Total non-current liabilities		204,960	204,960
Net assets		5,424,350	5,037,560
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital		427,269	427,269
Share premium		2,936,817	2,936,817
Reserves		1,926,247	1,543,512
		5,290,333	4,907,598
Non-controlling interests		134,017	129,962
Total equity		5,424,350	5,037,560



# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium account RMB'000	Other reserves* RMB'000	Statutory surplus reserves* RMB'000	Retained earnings* RMB'000	Unrealised gains reserves* RMB'000	Foreign currency translation reserves* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	427,269	2,936,817	41,387	297,796	1,206,771	4,253	(6,695)	4,907,598	129,962	5,037,560
Profit for the period	—	—	—	—	385,437	—	—	385,437	8,622	394,059
Other comprehensive income										
Fair value change on available-for-sale investments, net of tax	—	—	—	—	—	(1,678)	—	(1,678)	—	(1,678)
Currency realignment	—	—	—	—	—	—	(1,024)	(1,024)	—	(1,024)
Total comprehensive income for the period	—	—	—	—	385,437	(1,678)	(1,024)	382,735	8,622	391,357
Dividends declared to non-controlling shareholders	—	—	—	—	—	—	—	—	(4,567)	(4,567)
At 30 June 2015 (Unaudited)	427,269	2,936,817	41,387	297,796	1,592,208	2,575	(7,719)	5,290,333	134,017	5,424,350

For the six months ended 30 June 2014

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium account RMB'000	Other reserves* RMB'000	Statutory surplus reserves* RMB'000	Retained earnings* RMB'000	Unrealised gains reserves* RMB'000	Foreign currency translation reserves* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	81,180	427,980	41,387	231,324	992,058	2,112	(6,999)	1,769,042	128,653	1,897,695
Profit for the period	—	—	—	—	281,160	—	—	281,160	5,078	286,238
Other comprehensive income										
Fair value change on available-for-sale investments, net of tax	—	—	—	—	—	99	—	99	—	99
Currency realignment	—	—	—	—	—	—	3,563	3,563	—	3,563
Total comprehensive income for the period	—	—	—	—	281,160	99	3,563	284,822	5,078	289,900
Share repurchase	(8,556)	(191,444)	—	—	—	—	—	(200,000)	—	(200,000)
Dividends declared	—	—	—	—	(324,339)	—	—	(324,339)	—	(324,339)
Dividends declared to non-controlling shareholders	—	—	—	—	—	—	—	—	(7,613)	(7,613)
At 30 June 2014 (Unaudited)	72,624	236,536	41,387	231,324	948,879	2,211	(3,436)	1,529,525	126,118	1,655,643

\* These reserve accounts comprise the consolidated reserves of RMB1,926,247,000 in the consolidated statements of financial position as at 30 June 2015 (31 December 2014: RMB1,543,512,000).

# Interim Condensed Consolidated Statement of Cash Flows

	Notes	For the six months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		457,106	347,005
Adjustments for:			
Share of profit of an associate		(509)	(380)
Depreciation and amortisation of non-current assets		57,075	55,101
Loss on disposal of non-current assets		149	1,993
Interest income	5	(6,224)	(6,491)
Investment income from available-for-sale investments	5	(36,577)	(1,678)
Interest expense	7	7,577	25,577
		<b>478,597</b>	421,127
Increase in trade and notes receivables		(480,467)	(241,238)
Increase in prepayments, deposits and other receivables		(7,845)	(7,899)
Increase in amounts due from related parties		(2,430)	(2,940)
Decrease in inventories		27,832	8,417
Increase in pledged time deposits		(8,011)	(271)
Increase/(decrease) in government grants		7,018	(8,126)
Decrease in trade and notes payables		(2,682)	(10,550)
Increase in other payables and accruals		120,926	90,059
Decrease in amounts due to related parties		—	(36,622)
Cash generated from operations		<b>132,938</b>	211,957
Interest paid		(6,602)	(24,027)
Income tax paid		(47,602)	(37,686)
Net cash flows generated from operating activities		<b>78,734</b>	150,244

# Interim Condensed Consolidated Statement of Cash Flows (Continued)

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Net cash flows generated from operating activities	78,734	150,244
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of non-current assets	(83,535)	(143,319)
Purchases of available-for-sale investments	(1,395,000)	(30,000)
Proceeds from sales of available-for-sale investments	1,840,465	—
Receipt of investment income from available-for-sale investments	36,577	1,678
Proceeds from disposal of items of property, plant and equipment	262	22,542
Refund of deposits for acquisition of a subsidiary	700,000	—
(Decrease)/increase in government grants	(4,522)	870
Increase in non-pledged time deposits with original maturity of three months or more when acquired	(360,000)	—
Loan to the immediate holding company	—	(213,520)
Interest received	2,842	2,866
Net cash flows generated from/(used in) investing activities	737,089	(358,883)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loans	(847,229)	(914,703)
Proceeds from loans	1,145,227	1,183,425
Payments in pledged time deposits	(187,400)	(94,032)
Net cash flows generated from financing activities	110,598	174,690
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>926,421</b>	<b>(33,949)</b>
Effect of foreign exchange rate changes, net	(864)	3,341
Cash and cash equivalents at beginning of period	151,863	333,150
<b>CASH AND CASH EQUIVALENTS</b>		
At 30 June	1,077,420	302,542

# Notes to the Interim Condensed Consolidated Financial Statements

## 1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act on 2 July 2003. It was listed on the SGX-ST on 5 May 2004, and delisted since 29 November 2012. On 9 July 2014, the Company succeeded its listing on the Main Board of the Stock Exchange.

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

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

## 2 BASIS OF PREPARATION

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

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

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

## 3 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 4. OPERATING SEGMENT INFORMATION

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

### For the six months ended 30 June 2015

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

### For the six months ended 30 June 2014

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

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 5. REVENUE, OTHER INCOME AND GAINS

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

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

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

## 6. PROFIT BEFORE TAX

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

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

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 7. FINANCE COSTS

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

## 8. INCOME TAX EXPENSE

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

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

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

## 9. DIVIDEND

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

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and on the weighted average number of ordinary shares in issue during the period, and assuming the capitalization of share premium account to fully issued shares of 2,212,701,935 shares on 19 June 2014 had been completed on 1 January 2014.

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

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
<b>Earnings</b>		
Profit attributable to owners of the parent	385,437	281,160
	Number of shares for the six months ended 30 June	
	2015	2014
<b>Shares</b>		
Weighted average number of shares in issue during the period	3,321,073,843	2,696,572,234

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

## 11. PROPERTY, PLANT AND EQUIPMENT

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

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



# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

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

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

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

## 13. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

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

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

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

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 14. TRADE AND NOTES RECEIVABLES

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

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

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

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

As at 30 June 2015, the Group has pledged notes receivable of RMB5,897,000 (as at 31 December 2014: RMB4,500,000) for the issuance of notes payable of RMB3,137,000 (as at 31 December 2014: RMB3,340,000) (note 16).

The notes receivable are due within six months. The Group had discounted intragroup notes receivable of RMB300,000,000 as at 30 June 2015 (as at 31 December 2014: nil), and the proceeds received have been accounted for as short-term loans (note 17).

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 15. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Audited)
	<b>RMB'000</b>	RMB'000
Cash and bank balances	<b>927,420</b>	151,863
Time deposits	<b>1,012,626</b>	307,215
	<b>1,940,046</b>	459,078
Less:		
Pledged time deposits for letter of credit	<b>(1,410)</b>	—
Pledged time deposits for bank loans and notes payables	<b>(321,216)</b>	(127,215)
Non-pledged time deposits with original maturity of three months or more when acquired	<b>(540,000)</b>	(180,000)
Cash and cash equivalents	<b>1,077,420</b>	151,863
Denominated in RMB	<b>1,040,811</b>	134,116
Denominated in US\$	<b>28,113</b>	3,647
Denominated in others	<b>8,496</b>	14,100
Cash and cash equivalents	<b>1,077,420</b>	151,863

The RMB is not freely convertible into other currencies. However, under Mainland China's "Foreign Exchange Control Regulations" and "Administration of Settlement, 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 Mainland China 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 time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the reporting period.

As at 30 June 2015, time deposits of RMB312,600,000 have been pledged to secure bank loans which was repaid on 29 June 2015, and the pledge was terminated on 2 July 2015.

As at 31 December 2014, time deposits of RMB125,200,000 have been pledged to secure bank loans (note 17).

As at 30 June 2015, time deposits of RMB6,680,000 (as at 31 December 2014: nil) have been pledged to secure notes payable (note 16). Time deposits of RMB1,936,000 (as at 31 December 2014: RMB2,015,000) have been pledged to secure intragroup notes payable.

As at 30 June 2015, time deposits of RMB1,410,000 (as at 31 December 2014: nil) have been pledged to secure letter of credit.

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 16. TRADE AND NOTES PAYABLES

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

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

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

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

As at 30 June 2015, notes payables of RMB3,137,000 (as at 31 December 2014: RMB3,340,000) and intragroup notes payables of RMB2,760,000 (as at 31 December 2014: RMB1,160,000) were secured by the Group's notes receivable with a carrying amount of RMB5,897,000 (as at 31 December 2014: RMB4,500,000) (note 14). The maturity date of the notes payable is within six months.

As at 30 June 2015, notes payables of RMB6,680,000 (as at 31 December 2014: nil) were secured by the Group's time deposits with a carrying amount of RMB6,680,000 (as at 31 December 2014: nil) (note 15).

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 17. INTEREST-BEARING LOANS AND BORROWINGS

As at 30 June 2015

	Effective interest rate (%)	Maturity	Group RMB'000
<b>Current</b>			
Bank loans — secured			
RMB150,000,000 bank loan	4.85	27 November 2015	150,000
US\$25,000,000 bank loan	3-Month LIBOR+2.5	1 April 2016	152,840
Discounted notes receivables (note 14)	4.41	29 October 2015	300,000
Finance lease payables current portion	2.2	30 June 2016	137
			<b>602,977</b>
<b>Non-current</b>			
Finance lease payables	2.2	1 July 2016 – 30 August 2020	558
			<b>603,535</b>

As at 31 December 2014

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

Certain of the Group's bank loans are secured by the pledge of certain of the Group's time deposits as at 31 December 2014 of RMB125,200,000 (note 15).

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 18. COMMITMENTS

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

	As at	
	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Contracted, but not provided for:		
Land and buildings	89,906	104,102
Plant and machinery	138,645	84,979
	<b>228,551</b>	189,081

## 19. RELATED PARTY TRANSACTIONS

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

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

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 19. RELATED PARTY TRANSACTIONS (Continued)

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

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

Notes:

- (i) The sales to Steward Cross were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The inventories sold to Shandong Boan mainly include raw materials for research and development activities.
- (b) Outstanding balances with related parties:

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

### Due from related parties

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

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2015 and 31 December 2014 are as follows:

**As at 30 June 2015**

### Financial assets

	Loans and receivables (Unaudited) RMB'000	Available-for- sale financial assets (Unaudited) RMB'000	Total (Unaudited) RMB'000
Available-for-sale investments	—	1,400,502	1,400,502
Trade and notes receivables	1,394,597	—	1,394,597
Financial assets included in prepayments, deposits and other receivables	39,324	—	39,324
Cash and cash equivalents	1,077,420	—	1,077,420
Time deposits with original maturity of over three months	540,000	—	540,000
Pledged short-term deposits	322,626	—	322,626
Due from related parties	5,085	—	5,085
	<b>3,379,052</b>	<b>1,400,502</b>	<b>4,779,554</b>

The carrying amounts of each of the categories of financial instruments as at 30 June 2015 and 31 December 2014 are as follows:

**As at 30 June 2015**

### Financial liabilities

	Financial liabilities at amortised cost (Unaudited) RMB'000	Total (Unaudited) RMB'000
Trade and notes payables	56,362	56,362
Financial liabilities included in accrued liabilities and other payables	148,130	148,130
Interest-bearing loans and borrowings	603,535	603,535
	<b>808,027</b>	<b>808,027</b>



# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 20. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

As at 31 December 2014

### Financial assets

	Loans and receivables (Audited) RMB'000	Available-for- sale financial assets (Audited) RMB'000	Total (Audited) RMB'000
Available-for-sale investments	—	1,847,634	1,847,634
Trade and notes receivables	914,130	—	914,130
Financial assets included in prepayments, deposits and other receivables	38,660	—	38,660
Cash and cash equivalents	151,863	—	151,863
Time deposits with original maturity of over three months	180,000	—	180,000
Pledged short-term deposits	127,215	—	127,215
Due from related parties	2,655	—	2,655
	1,414,523	1,847,634	3,262,157

As at 31 December 2014

### Financial liabilities

	Financial liabilities at amortised cost (Audited) RMB'000	Total (Audited) RMB'000
Trade and notes payables	59,044	59,044
Financial liabilities included in accrued liabilities and other payables	156,986	156,986
Interest-bearing loans and borrowings	305,537	305,537
	521,567	521,567

### Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 20. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### Financial instruments carried at fair value

The Group has carried all investment securities that are classified as available-for-sale investments at their fair values as required by IAS 39, except for unlisted investments which were stated at cost (note 13).

As at 31 December 2014 and 30 June 2015, the Group endorsed certain notes receivable accepted by certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Notes, including sale, transfer or pledge of the Endorsed Notes to any other third parties. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). The total carrying amounts of the Endorsed Notes were RMB80,179,000 and RMB65,341,000 as at 31 December 2014 and 30 June 2015. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with amounts of RMB64,224,000 and RMB45,016,000 (the "Derecognised Notes") as at 31 December 2014 and 30 June 2015. Accordingly, it has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in these Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes equals to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in these Derecognised Notes are not significant.

The Group continued to recognise the full carrying amounts of the remaining Endorsed Notes and associated trade payables settled of RMB15,955,000 and RMB20,325,000 since the Directors believe the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes.

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 year or cumulatively. The Endorsement has been made evenly throughout the year.

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

### Assets measured at fair value:

As at 30 June 2015

	Fair value measurement using			Total (Unaudited) RMB'000
	Quoted prices in active inputs (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	
Available-for-sale investments: Equity investment	1,712	—	—	1,712
Investment in bank financial products	—	1,398,290	—	1,398,290
	1,712	1,398,290	—	1,400,002

# Notes to the Interim Condensed Consolidated Financial Statements (Continued)

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Assets measured at fair value: (Continued)

As at 31 December 2014

	Fair value measurement using			Total (Audited) RMB'000
	Quoted prices in active inputs (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	
Available-for-sale investments:				
Equity investment	1,742	—	—	1,742
Investment in bank financial products	—	1,845,392	—	1,845,392
	1,742	1,845,392	—	1,847,134

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 (as at 31 December 2014: nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2015 and 31 December 2014.

### Financial instruments whose carrying amounts approximate to their fair values

Management has determined that the carrying amounts of cash and cash equivalents, pledged short-term deposits, trade and notes receivables, deposits and other receivables, due from related parties, trade and notes payables, other payables, amounts due to related parties and short-term interest-bearing loans and borrowings, based on their notional amounts, reasonably approximate to their fair values because these financial instruments are mostly short term in nature. The carrying amounts of long term interest-bearing loans and borrowings, which incur interest at floating interest rate, also approximate to their fair values as the interest rate is periodically adjusted to market rate.

## 22. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved and authorised by the board of directors on 29 August 2015.