



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

*(Incorporated in Bermuda with limited liability)*

Stock Code: 2186

**2017**  
**INTERIM REPORT**





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## COMPANY OVERVIEW

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 (the "PRC" or "China"), the United States (the "U.S."), Europe and other countries or districts, namely oncology, cardiovascular system, alimentary tract and metabolism and central nervous system ("CNS"). The Group's product portfolio consists of 34 products and centers around 6 key products, 5 of which have patent protection and are indicated for the treatment or prevention of high prevalence medical conditions, including cancer, cardiovascular diseases, diabetes and CNS.

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 half of 2017. The Group's sales, marketing and distribution functions are conducted through over 60 sales support offices, over 1,300 sales and marketing personnel, a network of approximately 1,050 distributors that collectively enabled the Group to sell its products to over 12,100 hospitals. For overseas, the Group has established in-house sales teams in both Singapore and Malaysia. The Group has strong sales partnerships with more than 20 partners throughout the world, covering more than 20 countries including the U.S., Europe and other countries or districts.

The Group's R&D activities are organised around four platforms — long-acting and extended release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. As at 30 June 2017, the Group's R&D team consisted of approximately 350 employees, including approximately 60 Ph.D. degree holders and approximately 150 Master's degree holders in medical, pharmaceutical and other related areas. As at 30 June 2017, the Group had been granted over 250 patents and had over 40 pending patent applications in the PRC, as well as over 390 patents and over 110 pending patent applications overseas. The Group had a pipeline of 27 PRC product candidates in various stages of development. These candidates included 11 oncology products, 4 cardiovascular and metabolism products, as well as 12 CNS products. In the first half of 2017, 2 oncology products of the Group successfully applied for Investigation New Drug.

Also, the Group had a pipeline of 6 candidate products in the U.S. or Europe 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 *(Appointed on 29 March 2017)*

#### 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

### 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

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Head Office and Principal Place of Business in the People's Republic of China

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

Building 12  
Shanghai Business Park III  
No. 1036 Tianlin Road  
Shanghai  
People's Republic of China

### Principal Place of Business in Hong Kong

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

### Principal Share Registrar and Transfer Office

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## CORPORATE INFORMATION (CONTINUED)

### Hong Kong Share Registrar

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

### Legal Advisers

Allen & Overy  
9/F, Three Exchange Square  
Central  
Hong Kong

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

### Auditor

Ernst & Young  
Certified Public Accountants  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

### Stock Code

2186

### Company's Website

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

### Principal Bankers

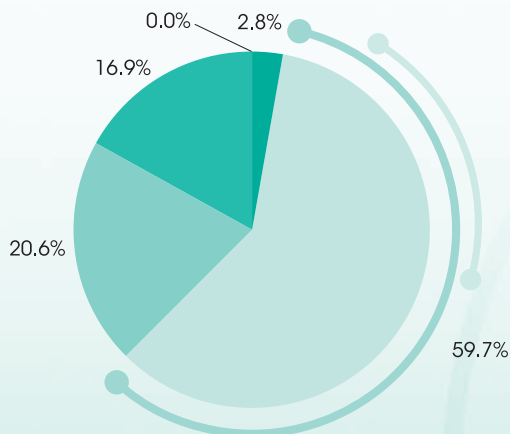
Bank of China Limited  
China Everbright Bank  
Industrial and Commercial Bank of China Limited  
Citibank (China) Limited

## FINANCIAL HIGHLIGHTS

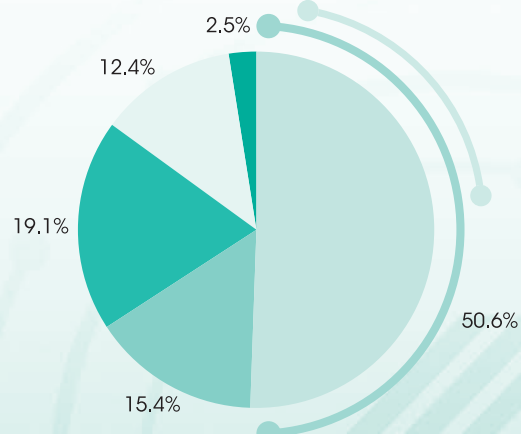
- Revenue increased by RMB361.7 million or 24.3% to RMB1,850.8 million, as compared to the six months ended 30 June 2016.
- EBITDA increased by RMB8.8 million or 1.6% to RMB576.4 million, as compared to the six months ended 30 June 2016.
- Profit attributable to shareholders decreased by RMB39.2 million or 9.2% to RMB385.4 million, as compared to the six months ended 30 June 2016.
- Earnings per share was RMB11.74 cents compared to RMB12.78 cents for the six months ended 30 June 2016.
- The Board declared an interim dividend of RMB0.029 (equivalent to HK\$0.033) per share for the six months ended 30 June 2017.

	2013 RMB Million	2014 RMB Million	2015 RMB Million	2016 RMB Million	30 June 16 RMB Million	30 June 17 RMB Million
Revenue	1,996.5	2,544.0	2,563.1	2,917.8	1,489.1	1,850.8
Gross Profit	1,583.0	2,061.5	2,087.4	2,382.7	1,259.0	1,426.4
EBITDA	508.2	875.9	1,028.9	1,146.0	567.5	576.4
Net Profit	327.9	614.4	764.7	894.0	423.1	387.9
Profit attributable to owners of the Parent	310.5	605.5	754.5	891.5	424.6	385.4
Total Assets	3,387.5	6,130.8	7,052.9	9,205.8	9,263.3	10,827.7
Total Liabilities	1,489.8	1,093.2	1,253.4	2,643.8	3,037.3	4,255.8
Equity	1,897.7	5,037.6	5,799.5	6,562.0	6,226.0	6,571.9

Revenue of the six months ended 30 June 2016



Revenue of the six months ended 30 June 2017



○ Oncology      ● Cardiovascular System      ● Others  
● Alimentary Tract and Metabolism      ○ Central Nervous System

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

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 (the "PRC" or "China"), the United States (the "U.S."), Europe and other countries or districts, namely oncology, cardiovascular system, alimentary tract and metabolism and central nervous system ("CNS"). The Group's product portfolio consists of 34 products and centers around 6 key products, 5 of which have patent protection and are indicated for the treatment or prevention of high prevalence medical conditions, including cancer, cardiovascular diseases, diabetes and central nervous system diseases. During the six months ended 30 June 2017, the Group's sales of innovative pharmaceutical products maintained a stable growth momentum as the Group further deepened its market penetration and expanded the market share of its key products. The Group recorded a stable revenue growth of 24.3% in the first half of 2017 as compared to that of 2016.

### Market Positioning

The Group's key products are competitively positioned in one of its four key therapeutic areas and have gained top-ranking market shares measured by revenue. According to QUINTILES IMS HOLDINGS ("IMS"), oncology-related pharmaceutical products constituted the third largest market in China for pharmaceutical products in the first half of 2017. The Group's portfolio of oncology products includes Lipusu, the best-selling pharmaceutical product for cancer treatment in China in the first half of 2017 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 half of 2017. 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 products in China in the first half of 2017, respectively. According to IMS, alimentary tract and metabolism-related pharmaceutical products constituted the largest market for pharmaceutical products in the PRC in the first half of 2017. According to IMS, the Group was the third largest domestic pharmaceutical manufacturer of oral diabetic medications in China in the first half of 2017 by revenue. For overseas, the Group's products are mainly positioned in central nervous system therapeutic area, including rivastigmine, fentanyl and buprenorphine patches.

For the six months ended 30 June 2017, the Group's revenue from sales of oncology products, alimentary tract and metabolism products, central nervous system products and other products increased to RMB936.1 million, RMB352.7 million, RMB229.7 million and RMB47.6 million, respectively, representing a growth rate of 5.4%, 40.6%, N.A (Newly acquired business in last quarter of 2016) and 11.0%, while cardiovascular system products decreased by 7.2% to RMB284.7 million as compared to the six months ended 30 June 2016 for the respective therapeutic areas.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Key Products

The Company believes that the Group's 6 key products are competitively positioned for high prevalence medical conditions that are expected to have a stable growth globally.

#### Lipusu<sup>®</sup> (力撲素<sup>®</sup>)

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 RMB35.6 billion in the first half of 2017 and by revenue, Lipusu was the most popular pharmaceutical product for cancer treatment in China in the first half of 2017, as well as the most popular paclitaxel product in China in the first half of 2017 with a market share of approximately 57.2%. As at 30 June 2017, Lipusu represented the first and only paclitaxel liposome product approved for sale globally.

#### 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 the first half of 2017. 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 2017. According to IMS, the market for pharmaceutical products indicated for the treatment of hypercholesterolaemia and lowering of blood cholesterol triglycerides and low density lipoprotein cholesterol in China was estimated to be approximately RMB6.8 billion in the first half of 2017. According to IMS, Xuezhikang ranked as the most popular Chinese medicine for the treatment of hypercholesterolaemia in China in the first half of 2017.

#### 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 pharmaceutical products in China was estimated to be approximately RMB1.2 billion in the first half of 2017. Maitongna was the best-selling sodium aescinate product in China in the first half of 2017 and ranked as the best-selling domestically manufactured vasoprotective pharmaceutical product in China in the first half of 2017, according to IMS, with a market share of approximately 69.9% in the first half of 2017.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 the first half of 2017. According to IMS, the market for acarbose products in China was estimated to be approximately RMB1.8 billion in the first half of 2017 and Bei Xi ranked as the third most popular acarbose product in China with a market share of approximately 7.9% in the first half of 2017.

### Rivastigmine Transdermal Patches (the “Rivastigmine Patch”)

The Rivastigmine Patch is rivastigmine in transdermal patches form approved by the U.S. Food and Drug Administration (“FDA”) and is indicated for mild to moderate dementia of the Alzheimer’s type and dementia due to Parkinson’s disease. According to IMS, Rivastigmine Patch’s volume market share in the first half of 2017 is approximately 46.3% in the U.S. and 18.5% in European Union countries (28.5% in EU5 countries namely the United Kingdom, France, Germany, Italy, Spain), and such market share had increased as compare of to that of 2016.

### Research and Development (“R&D”)

The Group’s R&D activities are organised around four platforms — long-acting and extended release technology, liposome and targeted drug delivery, transdermal drug delivery systems 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 at 30 June 2017, the Group’s R&D team consisted of approximately 350 employees, including approximately 60 Ph.D. degree holders and approximately 150 Master’s degree holders in medical, pharmaceutical and other related areas. As at 30 June 2017, the Group had been granted over 250 patents and had over 40 pending patent applications in the PRC, as well as over 390 patents and over 110 pending patent applications overseas.

Through the Group’s four platforms and the corresponding R&D capabilities, the Group focuses on R&D projects not only within its core strength therapeutic areas of oncology and alimentary tract and metabolism, but also expanding into the CNS therapeutic area. As at 30 June 2017, the Group had a pipeline of 27 PRC product candidates in various stages of development. These candidates included 11 oncology products, 4 cardiovascular and metabolism products, as well as 12 CNS products. In the first half of 2017, 2 oncology products of the Group successfully applied for Investigation New Drug.

Also, the Group had a pipeline of 6 candidate products in the U.S. or Europe in various stages of development. In the U.S., 1 product candidate has completed its clinical stage and 4 candidate products are in different clinical stages. In Europe, 1 product candidate has obtained approval in Germany to commence clinical trials. Furthermore, the Group is registering its products in Japan, Brazil and other countries through various cooperation patterns such as co-development with its partners or licensing out, etc.

In February 2017, the Group has obtained the approval from the CFDA to commence the development of Buprenorphine Transdermal Patches in the PRC. The product has been marketed in a number of countries including the United Kingdom, Germany and Spain. Leveraging on the expertise in transdermal patches of Luye Pharma AG’s R&D platform, the Group will also seek to register the product in the U.S., Japan and South Korea.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In March 2017, the Group has obtained the approval from the Federal Institute for Drugs and Medical Devices in Germany to commence clinical trials for Rivastigmine Multi-day Transdermal Patch for the treatment of Alzheimer's disease. In addition to Germany, the Group also plans to register this product in the U.S., Japan, China and other countries.

### 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 half of 2017. The Group's sales, marketing and distribution functions are conducted through over 60 sales support offices, over 1,300 sales and marketing personnel, a network of approximately 1,050 distributors that collectively enabled the Group to sell its products to over 12,100 hospitals, which comprised approximately 1,600 Class III hospitals, approximately 3,510 Class II hospitals and approximately 6,990 Class I and other hospitals and medical institutions in the PRC in the first half of 2017. The Group believes that its sales and marketing model and coverage of hospitals with other medical institutions represent a significant competitive advantage and a culmination of both academic promotion by the Group's in-house personnel in different regions and partnerships with high-quality distributors across China. The Group also believes that its sales and marketing model 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 overseas, the Group has established in-house sales teams in both Singapore and Malaysia. The Group has sales partnerships with more than 20 partners throughout the world, covering more than 20 countries including the U.S., Europe and other countries or districts.

In February 2017, the Ministry of Human Resources and Social Security of the PRC released the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance Catalogue (2017 Version) (the "Insurance Catalogue"). Among the Group's products, (i) three products were added to the Insurance Catalogue, including Sidinuo, Okai and Sailimai (Montmorillonite tablets); (ii) five products were removed or relaxed from previous reimbursement restrictions, including Xuezhikang, CMNa, Sailimai (Montmorillonite Powder), Beitangning and Saitan; and (iii) Bei Xi has been elevated from Class B to Class A in the Insurance Catalogue. The Company believes that such changes will be beneficial to the Group's sales in the long run.

### Merger and Acquisition

The Group acquired the transdermal drug delivery systems ("TDS") business through the acquisition of Luye Pharma AG (formerly known as Acino AG) and Luye Supply AG (formerly known as Acino Supply AG). The acquisition was completed in November 2016.

The TDS business includes the business of developing, producing and distributing therapeutic systems for drug release and related products, and providing related services, which in particular include the transdermal systems and implants. The acquired target possesses strong know-how in difficult-to-make formulations, applying the highest quality standards and has a proven R&D and successful product launch track record. Its robust product pipeline also offers potential to deliver multiple products into the markets over the next few years.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In February 2017, the Group has obtained the approval from the CFDA to commence the development of Buprenorphine Transdermal Patches in the PRC. The product was marketed in a number of countries including the United Kingdom, Germany and Spain. Leveraging on the expertise in transdermal patches of Luye Pharma AG's R&D platform, the Group will also seek to register the product in the U.S., Japan and South Korea.

The Group entered into two equity transfer agreements dated 4 August 2017 in respect of the acquisition of two biological antibody products, which are under research and development, namely LY01008 and LY06006, and their respective technologies, data and all rights attaching to the products including but not limited to the clinical trials approval from Shandong Boan Biological Technology Co., Ltd., for a total consideration of RMB450 million, which is payable by stages (the "Acquisition"). The Board believes that the Acquisition is important for the Group to develop its own biological antibodies in order to remain competitive and maintain a long-term sustainable growth. Please refer to the Company's announcement dated 4 August 2017 ("Acquisition Announcement") for information.

### Outlook

Due to policy and market factors, the Chinese pharmaceutical industry's remains a low growth rate in the first half of 2017. According to IMS, the growth rate of the Chinese pharmaceutical market was 3.8% in the first half of 2017, compared to 8.1% in that of 2016.

Since it is a highly competitive industry, inevitably all the pharmaceutical companies in the PRC are facing intense competition. Furthermore, the industry is highly constrained by the government policy, which may cause great uncertainty for the pharmaceutical companies' developments. In recent years, policies such as tendering and reimbursement are posing great impacts on the industry.

For the second half of 2017, the Group will continue to introduce measures to improve its profitability and enhance efficiency in key aspects of its operations. With respect to its sales and marketing activities, the Group will continue to undertake a series of changes and initiatives to enable it to focus its marketing and promotion resources on the regions and products where marketing and promotion expenditure yields higher returns, thereby increasing its overall sales efficiency. The Group also intends to increase its profitability through production efficiency and to continuously upgrade its production facilities. In addition, the Group intends to further strengthen its R&D capabilities and develop its product candidates.

As described above, for the first half of 2017 the Group has obtained the approval from the CFDA to commence the development of Buprenorphine Transdermal Patches. While overseas, the Group has obtained the approval from the Federal Institute for Drugs and Medical Devices in Germany to commence clinical trials for Rivastigmine Multi-day Transdermal Patch for the treatment of Alzheimer's disease.

For R&D, the Group has established a transdermal drug delivery systems platform based on Luye Pharma AG's R&D platform. The platform has enabled the Group to obtain the approval from the CFDA to commence the development of Buprenorphine Transdermal Patches. In addition, the Group has obtained the approval from the Federal Institute for Drugs and Medical Devices in Germany to commence clinical trials for Rivastigmine Multi-day Transdermal Patch for the treatment of Alzheimer's disease.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In order to enrich portfolio, the Company agreed to buy two biological antibody products, which are under research and development, being LY01008 and LY06006, and their respective technologies, data and all rights attaching to the products including but not limited to the clinical trials approval from Shandong Boan Biological Technology Co., Ltd., for a total consideration of RMB450 million, which is payable by stages. The Company believes that it is important for the Group to develop its own biological antibodies in order to remain competitive and maintain a long-term sustainable growth.

For sales and distribution, the Insurance Catalogue (2017 Version) was released by the Ministry of Human Resources and Social Security of the PRC in February 2017. Among the Group's products, three have been newly added to the Insurance Catalogue, including Sidinuo, Okai and Sailimai; five have been removed or relaxed from previous reimbursement restrictions, including Xuezhikang, CMNa, Sailimai, Beitangning and Saitan; Beixi has been elevated from Class B to Class A in the Insurance Catalogue. The Company believes that such changes will be beneficial to the Group's sales in the long run.

For overseas, the Group has consolidated Luye Supply AG's sales and business development teams. With the help of sales and business development teams in Asia and the U.S., the Group is targeting to enhance Luye Supply AG's sales power as well as extend its sales channels, which the Group believes will significantly increase the Group's global sales capabilities. For manufacturing, the Group is 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.

In May 2017, the Board also announced that Bank of Communications Trustee Limited, the trustee of the Company's Luye Pharma Share Award Scheme (the "Scheme"), had purchased an aggregate of 66,418,500 ordinary shares of the Company, representing approximately 2% of the issued share capital of the Company for the Scheme. Please refer to the Company's announcement dated 31 May 2017 for information. The purpose of the Scheme is to recognise contributions by certain employees of the Group and to provide them with incentives in order to retain them for the continuing operation and development of the Group and to attract suitable personnel for the further development of the Group. As at 30 June 2017, the Board has granted to the selected employees an aggregate of 17,861,000 shares of the Company under the Scheme and 17,724,000 awarded shares were accepted by selected employees.

Management of the Group is confident that, with the Group's 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 growth.

### Financial Review

#### Revenue

For the six months ended 30 June 2017, the Group's revenue amounted to approximately RMB1,850.8 million, as compared to RMB1,489.1 million for the six months ended 30 June 2016, representing an increase of approximately RMB361.7 million, or 24.3%. The increase is mainly attributable to the sales growth of the Group's key products and revenue contribution from our newly acquired business in Europe in the last quarter of 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the six months ended 30 June 2017, the Group's revenue from sales of oncology products increased to RMB936.1 million, as compared to RMB888.4 million for the six months ended 30 June 2016, representing an increase of approximately RMB47.7 million, or 5.4%, primarily attributable to the increase in sales volume of various oncology products of the Group.

For the six months ended 30 June 2017, revenue from sales of cardiovascular system products decreased to RMB284.7 million, as compared to RMB306.8 million for the six months ended 30 June 2016, representing a decrease of approximately RMB22.1 million, or 7.2%, primarily attributable to the decrease in sales volume of various cardiovascular system products of the Group and drop in the average selling price of some of the products.

For the six months ended 30 June 2017, revenue from sales of alimentary tract and metabolism products increased to RMB352.7 million, as compared to RMB250.9 million for the six months ended 30 June 2016, representing an increase of approximately RMB101.8 million, or 40.6%, primarily attributable to the increase in sales volume of various alimentary tract and metabolism products of the Group.

For the six months ended 30 June 2017, revenue from sales of central nervous system products increased by RMB229.7 million, as compared to nil for the six months ended 30 June 2016, representing an increase of approximately RMB229.7 million, primarily attributable to newly acquired business in Europe in the last quarter of 2016.

For the six months ended 30 June 2017, revenue from sales of other products increased to RMB47.6 million, as compared to RMB42.9 million for the six months ended 30 June 2016, representing an increase of approximately RMB4.7 million, or 11.0%, primarily attributable to the increase in sales volume of various other products of the Group.

### Cost of Sales

The Group's cost of sales increased from RMB230.1 million for the six months ended 30 June 2016 to approximately RMB424.4 million for the six months ended 30 June 2017, which accounted for approximately 22.9% of the Group's total revenue for the same period. The Group's increase in cost of sales was mainly due to one-off amortisation of inventory, expenses incurred for the acquisition of new business in Europe and increase in sales volumes for the six months ended 30 June 2017, as compared to the same period in 2016.

### Gross Profit

For the six months ended 30 June 2017, the Group's gross profit increased to RMB1,426.4 million, as compared to RMB1,259.0 million for the six months ended 30 June 2016, representing an increase of approximately RMB167.4 million, or 13.3%. The increase in the Group's gross profit was broadly in line with its revenue growth and contribution from our newly acquired business in Europe. The Group's gross profit margin decreased to 77.1% for the six months ended 30 June 2017 from 84.5% for the corresponding period of 2016. The lower margin mainly attributes to one-off amortisation of inventory cost derived from the acquisition of new business in Europe and higher revenue contribution from our slightly lower margin products.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Other Income and Gains

The Group's other income and gains mainly comprised of government grants, interest income and investment income. For the six months ended 30 June 2017, the Group's other income and gains increased to RMB92.6 million, as compared to RMB78.9 million for the six months ended 30 June 2016, representing an increase of approximately RMB13.7 million. The increase is mainly attributable to higher government grant recognised and higher investment income earned during the period. The increase is offset by lower bank interest income during the six months ended 30 June 2017, as compared to the corresponding period of 2016.

### 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 2017, the Group's selling and distribution expenses amounted to RMB657.9 million, as compared to RMB608.0 million for the six months ended 30 June 2016, representing an increase of RMB49.9 million, or 8.2%. The increase was mainly attributable to increased promotional activities for the Group's products and a slight increase in staff cost. On the other hand, as a percentage of revenue the Group's selling and distribution expenses decreased from 40.8% for the six months ended 30 June 2016 to 35.5% for the six months ended 30 June 2017, primarily as a result of the lower selling and distribution expense margin to revenue for our newly acquired business in Europe at the end of last year.

### 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 2017, the Group's administrative expenses amounted to approximately RMB220.5 million, as compared to RMB119.9 million for the six months ended 30 June 2016, representing an increase of approximately RMB100.6 million, or 83.9%. The increase mainly due to higher staff cost, general operating cost and one-off consulting expenses incurred during the six months ended 30 June 2017 from our newly acquired business in Europe in 2016.

### Other Expenses

The Group's other expenses primarily consisted of its R&D costs, foreign exchange losses, donations, loss on disposals of property, plant and equipment and miscellaneous expenses. For the six months ended 30 June 2017, the Group's other expenses amounted to approximately RMB157.4 million, as compared to RMB107.3 million for the six months ended 30 June 2016, representing an increase of approximately RMB50.1 million, or 46.7%. The increase was mainly due to increase in R&D costs during the period.

### Finance Costs

For the six months ended 30 June 2017, the Group's finance costs amounted to RMB22.4 million, as compared to RMB13.3 million for the six months ended 30 June 2016, representing an increase of approximately RMB9.1 million, or 68.4%. The increase was mainly due to the higher level of monthly average outstanding bank borrowings during the six months ended 30 June 2017 as compared to the corresponding period of 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Income Tax Expense

For the six months ended 30 June 2017, the Group's income tax expense amounted to RMB73.3 million, as compared to RMB67.8 million for the six months ended 30 June 2016, representing an increase of RMB5.5 million, or 8.1%. The effective tax rate for the six months ended 30 June 2017 is 15.9% and the corresponding period of 2016 was 13.8%, the higher effective tax rate mainly due to higher tax contribution in our newly acquired Europe business.

### Net Profit

The Group's net profit for the six months ended 30 June 2017 was approximately RMB387.9 million, as compared to RMB423.1 million for the six months ended 30 June 2016, representing an decrease of approximately RMB35.2 million, or 8.3%.

## Liquidity, Financial and Capital Resources

### Net Current Assets

As at 30 June 2017, the Group had net current assets of approximately RMB2,678.3 million, as compared to approximately RMB2,907.7 million as at 31 December 2016. The current ratio of the Group decreased slightly to approximately 1.7 as at 30 June 2017 from approximately 2.2 as at 31 December 2016. The decrease in net current assets was mainly attributable to higher level of loans and borrowings.

### Borrowings and Pledge of Assets

As at 30 June 2017, the Group had an aggregate interest-bearing loans and borrowings of approximately RMB3,185.9 million, as compared to approximately RMB1,624.1 million as at 31 December 2016. Amongst the loans and borrowings, approximately RMB3,185.6 million are repayable within one year, and approximately RMB0.3 million are repayable after one year. RMB1,886.3 million of the loans borrowings of the Group carried interest at fixed interest rate. The increase in loans and borrowings is mainly for the working capital of the Group. The bank loans were secured by the Group's time deposits, available-for-sale investments and notes receivable. As at 30 June 2017, the Group's borrowings were primarily denominated in RMB and Euro, and the cash and cash equivalents were primarily denominated in RMB and US dollars.

### Gearing Ratio

As at 30 June 2017, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to 48.5% from 24.8% as at 31 December 2016. The increase was primarily due to an increase in the Group's total borrowings resulting from additional loans taken during the period.

### Contingent Liabilities

As at 30 June 2017, the Group had no significant contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 during the six months ended 30 June 2017. 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 2017, the Group employed a total of 3,729 employees, as compared to a total of 3,492 employees as at 31 December 2016. The staff costs, (including Directors' emoluments but excluding any contributions to pension scheme), were approximately RMB262.8 million for the six months ended 30 June 2017 as compared to RMB189.3 million for the corresponding period in 2016. 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.

### Share Award Scheme

The Company adopted the Scheme on 10 January 2017. The purpose of the Scheme is to recognise contributions by certain employees, including any executive director of any member of the Group except for the current executive directors and to provide them with incentives in order to retain them for the continuing operation and development of the Group and to attract suitable personnel for the further development of the Group. As at 30 June 2017, the Board has granted to the selected employees an aggregate of 17,861,000 shares of the Company under the Scheme and 17,724,000 awarded shares were accepted by selected employees.

Details of the Scheme and the awards made up to 30 June 2017 are set out in note 19 to the interim condensed consolidated financial statements as set out in this interim report.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Hedging Activities

During the six months ended 30 June 2017, 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.

### Use of Net Proceeds from Listing

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

As at 28 August 2017, the Group had fully utilised net proceeds received by the Company from the IPO. Set out below is a summary of the utilisation of the net proceeds:

Use of proceeds (HK\$'MM)	Amount	%	Utilised	Unutilized balance as at 28 August 2017		
				%	%	
To expand the Group's portfolio of pharmaceuticals products	769.0	20.0	769.0	20.0	NIL	NIL
For research and development	769.0	20.0	769.0	20.0	NIL	NIL
For selective acquisition of domestic or international companies	769.0	20.0	769.0	20.0	NIL	NIL
To fund capital expenditure projects to increase production capabilities	769.0	20.0	769.0	20.0	NIL	NIL
To expand sales and marketing networks	192.2	5.0	192.2	5.0	NIL	NIL
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	384.6	10.0	NIL	NIL

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Significant Investments Held

During the six months ended 30 June 2017, the Group did not have any significant investments.

### Future Plans for Material Investments or Capital Assets

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

### Subsequent Events after the Interim Period

Save as the Acquisition disclosed above, the Group did not have any significant subsequent events after the interim period ended 30 June 2017.



## OTHER INFORMATION

### Interim Dividend

The Board declared the payment of an interim dividend of RMB0.029 (equivalent to HK\$0.033) per share for the six months ended 30 June 2017 (the six months ended 30 June 2016: RMB0.032 (equivalent to HK\$0.037)), totaling approximately RMB96,344,000, to the shareholders of the Company whose names appear on the Company's register of shareholders on 11 October 2017. The interim dividend is expected to be paid on or around 8 November 2017.

### Corporate Governance Practices

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

During the six month ended 30 June 2017, the Company has complied with all the applicable code provisions set out in the CG Code, save and except for the deviation from Code provision A.2.1 of the CG Code, which requires the roles of chairman and chief executive officer should be separate and performed by different individuals.

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

### Model Code for Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") of Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2017.

### Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale and redemption of any listed securities of the Company or any of its subsidiaries during the six months ended 30 June 2017.

## OTHER INFORMATION (CONTINUED)

### Audit Committee

The audit committee of the Company has reviewed, with the management, the accounting principles and policies adopted by the Group, and reviewed and discussed the unaudited interim condensed consolidated financial statements and interim results announcement and interim report of the Group for the six months ended 30 June 2017.

In addition, the independent auditor of the Company, Ernst & Young, has reviewed the unaudited interim results for the six months ended 30 June 2017 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.

### Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes to the directors' information since the date of the Company's annual report for the year ended 31 December 2016, are set out as follows:

- Mr. Zhang Hua Qiao has been appointed as an independent non-executive director of China Rapid Finance Limited (NYSE:XRF), a company listed on the New York Stock Exchange, since April 2017.

Other than those disclosed above, the Company is not aware of other changes in respect of the information of the directors of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### Controlling Shareholder's Interest in Other Business

As disclosed in the section headed "Management Discussion and Analysis — Merger and Acquisition" above, the Group entered into two equity transfer agreements dated 4 August 2017 in respect of the acquisition of two biological antibody products which are under research and development, namely LY01008 and LY06006, from Shandong Boan Biological Technology Co. Ltd. ("Shandong Boan"). Please refer to the Acquisition Announcement for further information.

Shandong Boan is a biotechnology company established in 2013. It focuses on the development of biopharmaceutical products, and operates a 1,200 sq.m. GMP-compliant pilot plant. Shandong Boan is an indirect subsidiary of, and owned as to 66.7% indirectly by, Luye Pharmaceutical Investment Co. Ltd., a controlling shareholder of the Company. Mr. Liu Dian Bo, Mr. Yang Rong Bing and Mr. Yuan Hui Xian, each an executive Director, are indirectly interested in the share capital of Luye Pharmaceutical Investment Co. Ltd.

As a good corporate governance practice, Shandong Boan has agreed with the Board that it will provide regular updates to the Company regarding the development status of various product candidates of Shandong Boan so that the Company may have more information to consider and evaluate any potential acquisition or co-operation opportunity with Shandong Boan. At the board meeting held on 28 August 2017, the Board considered the progress report from Shandong Boan and did not consider there to be any suitable or co-operation candidate at this stage. Shandong Boan will continue to provide regular update to the Board.

## OTHER INFORMATION (CONTINUED)

### Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at 30 June 2017, 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 set out below.

#### (i) Interest in the Company

Name of Director	Nature of interest	Number of securities	Approximate percentage of shareholding
Liu Dian Bo <sup>(1)(2)</sup>	Founder of a discretionary trust	1,517,113,930(L)	45.68%
Zhang Hua Qiao <sup>(3)</sup>	Beneficial owner	250,000(L)	0.01%
Lo Yuk Lam <sup>(3)</sup>	Beneficial owner	250,000(L)	0.01%
Leung Man Kit <sup>(3)</sup>	Beneficial owner	250,000(L)	0.01%
Choy Sze Chung Jojo <sup>(3)</sup>	Beneficial owner	250,000(L)	0.01%

*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 1,517,113,930 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.*
3. *These represent the interests in underlying Shares in respect of the awarded shares granted by the Company under Luye Pharma Share Award Scheme.*

## OTHER INFORMATION (CONTINUED)

### (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 Group Ltd.	Founder of a discretionary trust	8,400(L)	70%
Liu Dian Bo	Ginkgo Trust Limited	Founder of a discretionary trust	1(L)	100%
Liu Dian Bo	Luye Pharma Holdings Ltd.	Founder of a discretionary trust	1,136,852(L)	100%
Liu Dian Bo	Luye Pharmaceutical International Co., Ltd.	Founder of a discretionary trust	202,180,988(L)	100%
Liu Dian Bo	Luye Pharmaceutical Investment Co., Ltd.	Founder of a discretionary trust	1(L)	100%
Liu Dian Bo	Nelumbo Investments Limited	Founder of a discretionary trust	1(L)	100%
Yang Rong Bing	Luye Group Ltd.	Beneficial interest	1,800(L)	15%
Yuan Hui Xian	Luye Group Ltd.	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 Trust Limited as trustee of the family trust of Mr. Liu Dian Bo.*
2. *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.*

Save as disclosed above, as at 30 June 2017 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 recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' Rights to Acquire Shares or Debentures

At no time during the period under review was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, during the six months ended 30 June 2017, none of the Directors (including their spouses and children under the age of 18) held any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

## OTHER INFORMATION (CONTINUED)

### Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2017, persons (other than the Directors and chief executive of the Company) who had interests and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as set out below:

Name	Capacity/Nature of interest	Number of securities	Approximate percentage of shareholding
Luye Pharmaceutical Investment Co., Ltd. <sup>(1)</sup>	Beneficial owner	1,517,113,930(L)	45.68%
Luye Pharmaceutical International Co., Ltd. <sup>(1)</sup>	Interest in controlled corporation	1,517,113,930(L)	45.68%
Luye Pharma Holdings Limited <sup>(1)</sup>	Interest in controlled corporation	1,517,113,930(L)	45.68%
Luye Group Ltd. <sup>(2)</sup>	Interest in controlled corporation	1,517,113,930(L)	45.68%
Nelumbo Investments Limited <sup>(2)</sup>	Interest in controlled corporation	1,517,113,930(L)	45.68%
Ginkgo Trust Limited <sup>(2)</sup>	Trustee	1,517,113,930(L)	45.68%
Shorea LBG <sup>(2)</sup>	Interest in controlled corporation	1,517,113,930(L)	45.68%
CPE Greenery Ltd. <sup>(3)</sup>	Beneficial owner	196,561,695(L)	5.92%
CPEChina Fund, L.P. <sup>(3)</sup>	Interest in controlled corporation	196,561,695(L)	5.92%
CITIC PE Associates, L.P. <sup>(3)</sup>	Interest in controlled corporation	196,561,695(L)	5.92%
CITIC PE Funds Limited <sup>(3)</sup>	Interest in controlled corporation	196,561,695(L)	5.92%
CITICPE Holdings Limited <sup>(3)</sup>	Interest in controlled corporation	196,561,695(L)	5.92%
CLSA Global Investment Management Limited (formerly known as CITIC Securities International Asset Management Limited) <sup>(3)</sup>	Interest in controlled corporation	196,561,695(L)	5.92%
CITIC Securities International Company Limited <sup>(3)</sup>	Interest in controlled corporation	196,561,695(L)	5.92%
CITIC Securities Company Limited <sup>(3)</sup>	Interest in controlled corporation	196,561,695(L)	5.92%
中國平安保險(集團)股份有限公司 <sup>(4)</sup>	Interest in controlled corporation	546,355,060(L)	16.45%
平安銀行股份有限公司 <sup>(4)</sup>	Security interest in shares	546,355,060(L)	16.45%

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 Limited.

## OTHER INFORMATION (CONTINUED)

2. *Nelumbo Investments Limited holds 70% of the issued share capital of Luye Group Ltd. (formerly known as AsiaPharm Holdings 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 shareholder is Mr. Liu Dian Bo.*
3. *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. CITIC PE Funds Limited is wholly owned by CITICPE Holdings Limited. CLSA Global Investment Management Limited (formerly known as CITIC Securities International Asset Management Limited) holds 35% of the issued share capital of CITICPE Holdings Limited. CLSA Global Investment Management Limited is wholly owned by CITIC Securities International Company Limited, which in turn is wholly owned by CITIC Securities Company Limited.*
4. *平安銀行股份有限公司 is 49.56% owned by 中國平安保險(集團)股份有限公司.*

Save as disclosed above, as at 30 June 2017, 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.



## REVIEW REPORT OF INTERIM FINANCIAL INFORMATION



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

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 25 to 56, which comprises the condensed consolidated statement of financial position of Luye Pharma Group Ltd. (the "Company") and its subsidiaries as at 30 June 2017 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 Main Board Listing 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").

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 2017

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
<b>REVENUE</b>	4	1,850,782	1,489,075
Cost of sales		(424,408)	(230,099)
Gross profit		1,426,374	1,258,976
Other income and gains	4	92,593	78,940
Selling and distribution expenses		(657,872)	(608,037)
Administrative expenses		(220,486)	(119,937)
Other expenses		(157,431)	(107,275)
Finance costs	6	(22,387)	(13,333)
Share of profit of an associate		379	1,548
<b>PROFIT BEFORE TAX</b>	5	461,170	490,882
Income tax expense	7	(73,314)	(67,791)
<b>PROFIT FOR THE PERIOD</b>		387,856	423,091
Attributable to:			
Owners of the parent		385,377	424,569
Non-controlling interests		2,479	(1,478)
		387,856	423,091
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
Basic (RMB)			
— For profit for the period		11.74 cents	12.78 cents
Diluted (RMB)			
— For profit for the period		11.74 cents	12.78 cents

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
<b>PROFIT FOR THE PERIOD</b>	<b>387,856</b>	423,091
<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	(1,034)	(486)
Exchange differences on translation of foreign operations	22,063	3,827
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	21,029	3,341
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>21,029</b>	3,341
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>408,885</b>	426,432
Attributable to:		
Owners of the parent	406,406	427,910
Non-controlling interests	2,479	(1,478)
	<b>408,885</b>	426,432

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at	
		30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,858,051	1,701,739
Advance payments for property, plant and equipment		73,910	44,303
Prepaid land lease payments		226,471	223,505
Goodwill		1,032,244	995,921
Other intangible assets		859,033	855,676
Investment in an associate		6,297	5,840
Available-for-sale investments	11	2,697	2,646
Deferred tax assets		94,194	93,760
<b>Total non-current assets</b>		<b>4,152,897</b>	<b>3,923,390</b>
<b>CURRENT ASSETS</b>			
Inventories		440,335	452,670
Trade and notes receivables	12	1,369,871	1,415,009
Prepayments, deposits and other receivables	13	1,104,779	183,521
Due from related parties	18(b)	1,207	1,393
Available-for-sale investments	11	849,282	1,473,284
Pledged time deposits	14	833,079	482,467
Time deposits with original maturity of over three months	14	642,626	876,338
Cash and cash equivalents	14	1,433,588	397,775
<b>Total current assets</b>		<b>6,674,767</b>	<b>5,282,457</b>
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	15	110,972	116,142
Other payables and accruals		412,709	449,037
Interest-bearing loans and borrowings	16	3,185,578	1,623,741
Government grants		52,374	56,778
Tax payable		117,718	128,270
Due to related parties	18(b)	808	808
Dividends payable		116,285	—
<b>Total current liabilities</b>		<b>3,996,444</b>	<b>2,374,776</b>
<b>NET CURRENT ASSETS</b>		<b>2,678,323</b>	<b>2,907,681</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,831,220</b>	<b>6,831,071</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at	
		30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,831,220</b>	6,831,071
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	16	307	372
Government grants		123,906	121,595
Deferred revenue		30,517	25,668
Deferred tax liabilities		104,627	121,435
Total non-current liabilities		<b>259,357</b>	269,070
Net assets		<b>6,571,863</b>	6,562,001
<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		3,071,840	3,064,457
		<b>6,435,926</b>	6,428,543
Non-controlling interests		<b>135,937</b>	133,458
Total equity		<b>6,571,863</b>	6,562,001

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent											
	Issued capital RMB'000	Share premium account RMB'000	Other reserves* RMB'000	Statutory surplus reserves* RMB'000	Shares repurchased for share award scheme* RMB'000	Share award reserve* 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 2017	427,269	2,936,817	41,387	376,409	—	—	2,667,244	4,121	(24,704)	6,428,543	133,458	6,562,001
Profit for the period	—	—	—	—	—	—	385,377	—	—	385,377	2,479	387,856
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	—	—	—	(1,034)	—	(1,034)	—	(1,034)
Exchange differences related to foreign operations	—	—	—	—	—	—	—	—	22,063	22,063	—	22,063
Total comprehensive income for the period	—	—	—	—	—	—	385,377	(1,034)	22,063	406,406	2,479	408,885
Repurchase of shares for the share award scheme	—	—	—	—	(283,913)	—	—	—	—	(283,913)	—	(283,913)
Equity-settled share award scheme amortisation	—	—	—	—	—	1,175	—	—	—	1,175	—	1,175
Final 2016 dividends declared	—	—	—	—	—	—	(116,285)	—	—	(116,285)	—	(116,285)
At 30 June 2017 (Unaudited)	427,269	2,936,817	41,387	376,409	(283,913)	1,175	2,936,336	3,087	(2,641)	6,435,926	135,937	6,571,863

For the six months ended 30 June 2016

	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 2016	427,269	2,936,817	41,387	328,184	1,930,906	2,042	(2,644)	5,663,961	135,570	5,799,531		
Profit for the period	—	—	—	—	424,569	—	—	424,569	(1,478)	423,091		
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	—	(486)	—	(486)	—	(486)		
Exchange differences related to foreign operations	—	—	—	—	—	—	3,827	3,827	—	3,827		
Total comprehensive income for the period	—	—	—	—	424,569	(486)	3,827	427,910	(1,478)	426,432		
At 30 June 2016 (Unaudited)	427,269	2,936,817	41,387	328,184	2,355,475	1,556	1,183	6,091,871	134,092	6,225,963		

\* These reserve accounts comprise the consolidated reserves of RMB3,071,840,000 in the consolidated statement of financial position as at 30 June 2017.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		461,170	490,882
Adjustments for:			
Share of profit of an associate		(379)	(1,548)
Depreciation and amortisation of non-current assets		92,796	63,332
Loss on disposal of non-current assets	5	712	430
Equity-settled share award scheme expense	5	1,175	—
Interest income	4	(13,127)	(18,387)
Investment income	4	(33,664)	(26,774)
Interest expense	6	22,387	13,333
		<b>531,070</b>	<b>521,268</b>
Decrease/(increase) in inventories		12,335	(44,594)
Decrease/(increase) in trade and notes receivables		45,138	(311,645)
(Increase)/decrease in prepayments, deposits and other receivables		(42,743)	12,933
Decrease in amounts due from related parties		186	428
Increase in pledged time deposits		(77,244)	(18,512)
(Decrease)/increase in trade and notes payables		(5,170)	10,391
Decrease in other payables and accruals		(44,553)	(10,764)
(Decrease)/increase in government grants		(2,093)	3,622
Increase in deferred revenue		3,423	—
Decrease in amounts due to related parties		—	(1,578)
		<b>420,349</b>	<b>161,549</b>
Cash generated from operations		420,349	161,549
Interest paid		(18,099)	(9,327)
Income tax paid		(109,124)	(78,605)
		<b>293,126</b>	<b>73,617</b>
Net cash flows from operating activities		293,126	73,617

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Net cash flows from operating activities	293,126	73,617
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of non-current assets	(244,582)	(141,435)
Purchases of available-for-sale investments	(1,911,100)	(2,111,000)
Proceeds from sales of available-for-sale investments	2,531,100	2,896,002
Receipt of investment income from available-for-sale investments	15,865	17,404
Proceeds from disposal of items of property, plant and equipment	254	448
Increase in government grants	—	1,200
Decrease in time deposits with original maturity of over three months	233,712	815,591
Deferred cash settlement for acquisition	(5,390)	—
Decrease/(increase) in pledged time deposits	17,536	(392,106)
Addition to entrusted loan receivables	(850,000)	(600,000)
Collection of entrusted loan receivables	—	200,000
Dividend received from an associate	—	682
Interest received	10,708	22,087
Net cash flows (used in)/from investing activities	(201,897)	708,873
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loans	(597,045)	(826,238)
Proceeds from loans	2,158,817	2,565,080
Increase in pledged time deposits	(290,904)	(208,500)
Purchases of shares held for the share award scheme	(283,913)	—
Net cash flows from financing activities	986,955	1,530,342
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,078,184</b>	<b>2,312,832</b>
Effect of foreign exchange rate changes, net	(42,371)	3,140
Cash and cash equivalents at 1 January	397,775	843,674
<b>CASH AND CASH EQUIVALENTS At 30 JUNE</b>	<b>1,433,588</b>	<b>3,159,646</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate Information

The interim condensed consolidated financial statements of Luye Pharma Group Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2017 were approved and authorised by the board of directors on 28 August 2017.

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act on 2 July 2003. It was listed on the Singapore Exchange Securities Trading Limited (the "SGX") on 5 May 2004, and has been delisted since 29 November 2012. On 9 July 2014, the Company succeeded its listing on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK").

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

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

## 2. Basis of Preparation and Changes to the Group's Accounting Policies

### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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 2016.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Basis of Preparation and Changes to the Group's Accounting Policies (Continued)

#### 2.2 Changes in accounting policies

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 financial statements for the year ended 31 December 2016, except for the adoption of the following revised standards effective as of 1 January 2017.

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to IFRS 12 included in <i>Annual Improvements</i> <i>2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities</i>

The adoption of these 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 applied the new and revised International Financial Reporting Standards, that have been issued but are not yet effective, in these interim condensed consolidated financial statements.

### 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 resource allocation and assessment of segment performance. Segment result is evaluated based on gross profit less selling expenses allocated. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision maker for review.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Operating Segment Information (Continued)

For the six months ended 30 June 2017 (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
<b>Segment revenue</b>						
Sales to external customers	936,110	284,714	352,680	229,662	47,616	1,850,782
Total revenue	936,110	284,714	352,680	229,662	47,616	1,850,782
<b>Segment results</b>						
Other income and gains						92,593
Administrative expenses						(220,486)
Other expenses						(157,431)
Finance costs						(22,387)
Share of profit of an associate						379
Profit before tax						461,170

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Operating Segment Information (Continued)

For the six months ended 30 June 2016 (Unaudited)

	Oncology drugs RMB'000	Cardio- vascular system drugs RMB'000	Alimentary tract and metabolism drugs RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue</b>					
Sales to external customers	888,430	306,804	250,923	42,918	1,489,075
<b>Total revenue</b>	888,430	306,804	250,923	42,918	1,489,075
<b>Segment results</b>	435,139	115,699	91,605	8,496	650,939
Other income and gains					78,940
Administrative expenses					(119,937)
Other expenses					(107,275)
Finance costs					(13,333)
Share of profit of an associate					1,548
<b>Profit before tax</b>					490,882

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Revenue, Other Income and Gains

Revenue 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	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
<b>Revenue</b>		
Sale of drugs	1,850,782	1,489,075
<b>Other income and gains</b>		
Bank interest income	13,127	18,387
Government grants	42,191	32,501
Investment income	33,664	26,774
Others	3,611	1,278
	<b>92,593</b>	<b>78,940</b>

### 5. Profit Before Tax

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Depreciation of items of property, plant and equipment	71,146	49,017
Amortisation of other intangible assets	18,526	11,680
Amortisation of prepaid land lease payments	3,124	2,635
Operating lease expenses	10,444	9,619
Auditor's remuneration	1,680	1,680
Research and development costs	125,660	83,981
Cost of inventories sold	424,408	230,099
Foreign exchange loss, net	28,383	21,944
Equity-settled share award scheme expense	1,175	—
Loss on disposal of non-current assets	712	430

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Finance Costs

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Interest on bank loans	22,371	13,317
Finance charges payable under a hire purchase contract	16	16
	<b>22,387</b>	<b>13,333</b>

### 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 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 consolidated statement of profit or loss are:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Current tax:		
Income tax charge	89,351	86,691
Underprovision in prior years	1,049	82
Deferred tax	(17,086)	(18,982)
Total tax charge for the period	<b>73,314</b>	<b>67,791</b>

### 8. Dividends

On 28 August 2017, the Company declared an interim dividend of RMB0.029 (equivalent to HK\$0.033) per share (equivalent to approximately RMB96,344,000) for the six months ended 30 June 2017 (the six months ended 30 June 2016: RMB0.032 (equivalent to HK\$0.037) per share).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Earnings Per Share Attributable to Ordinary 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 the weighted average number of ordinary shares of 3,282,113,358 (the six months ended 30 June 2016: 3,321,073,843) in issue during the period. The number of shares for the current period has been arrived at after eliminating the shares of the Company held under the share award scheme and shares repurchased.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the share award scheme.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent	385,377	424,569

	For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period	3,282,113,358	3,321,073,843
Effect of dilution — weighted average number of ordinary shares under the share award scheme	551,354	—
	3,282,664,712	3,321,073,843

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Property, Plant and Equipment

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Carrying amount at beginning of period	1,701,739	1,196,262
Additions	209,695	295,762
Acquisition of subsidiaries	—	318,837
Depreciation provided during the period	(71,146)	(105,803)
Exchange realignment	18,729	(1,305)
Disposals	(966)	(2,014)
Carrying amount at end of period	1,858,051	1,701,739

As at 30 June 2017, the Group was applying for certificates of ownership for certain properties with a net book value of RMB1,732,000 (31 December 2016: RMB1,773,000). The directors of the Company are of the opinion that the use of the properties and the conduct of operating activities at these 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 such certificates are obtained.

### 11. Available-For-Sale Investments

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
<b>Current</b>		
Investment in bank financial products, at fair value	849,282	1,473,284
<b>Non-current</b>		
Listed equity investment, at fair value	2,197	2,146
Unlisted investment, at cost	500	500
	2,697	2,646



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Available-For-Sale Investments (Continued)

Current available-for-sale investments are structured financial products issued by banks with expected interest rates ranging from 2.85% to 5.10% per annum with a maturity period within ten months in the People's Republic of China (the "PRC"). The principals are all protected. The fair values of the financial products approximate to their costs plus expected interest.

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

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

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

As at 30 June 2017, investment in bank financial products of RMB495,000,000 (31 December 2016: RMB570,000,000) was pledged to secure intra-group notes payable.

As at 30 June 2017, investment in bank financial products of RMB115,000,000 (31 December 2016: Nil) was pledged to secure a short-term loan of EUR37,000,000 (31 December 2016: Nil) (note16).

### 12. Trade and Notes Receivables

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade receivables	730,161	954,469
Notes receivable	640,914	462,370
	<b>1,371,075</b>	1,416,839
Less: Impairment of trade receivables	(1,204)	(1,830)
	<b>1,369,871</b>	1,415,009

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Trade and Notes Receivables (Continued)

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:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Less than 3 months	608,265	781,114
Between 3 and 6 months	91,648	100,586
Between 6 and 12 months	28,087	69,941
Between 1 and 2 years	874	1,091
Over 2 years	1,287	1,737
	<b>730,161</b>	<b>954,469</b>

As at 30 June 2017, the Group has pledged notes receivable of RMB17,386,000 (31 December 2016: RMB1,600,000) to secure intra-group notes receivable of RMB17,386,000 (31 December 2016: RMB1,600,000).

As at 30 June 2017, the Group has pledged notes receivable of RMB3,340,000 (31 December 2016: RMB13,505,000) to secure notes payable of RMB3,340,000 (31 December 2016: RMB13,505,000) (note 15).

As at 30 June 2017, the Group has pledged notes receivable of RMB32,930,000 (31 December 2016: RMB20,663,000) to secure short-term loans of RMB65,000,000 (31 December 2016: EUR37,000,000) (note 16).

As at 30 June 2017, the Group has pledged intra-group notes receivable of RMB245,000,000 (31 December 2016: Nil) to secure short-term loans of RMB48,000,000 and EUR47,000,000 (31 December 2016: Nil) (note 16).

The notes receivable are due within six months.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Trade and Notes Receivables (Continued)

As at 30 June 2017, the Group endorsed certain notes receivable accepted by the certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade and other payables due to such suppliers with a carrying amount in aggregate of RMB100,611,000 (31 December 2016: RMB73,725,000) (the "Endorsement"). The Endorsed Notes have a maturity from one to six months as at 30 June 2017. 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").

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 amount of RMB69,110,000 (31 December 2016: RMB39,163,000) (the "Derecognised Notes"). Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade and other payables settled by the Endorsed 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.

The Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade and other payables settled with an amount of RMB31,501,000 as at 30 June 2017 (31 December 2016: RMB34,562,000) because the directors of the Company believe that 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 period or cumulatively. The Endorsement has been made evenly throughout the period.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Prepayments, Deposits and Other Receivables

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Entrusted loan receivables	850,000	—
Other receivables	183,929	133,424
Prepaid income tax	9,469	1,297
Prepaid other tax	25,889	22,723
Prepayments	38,492	29,077
	1,107,779	186,521
Less: Impairment of other receivables	(3,000)	(3,000)
	1,104,779	183,521

The entrusted loan receivables are unsecured, repayable within three months from the statement of financial position date, and bear interest from 8% to 10% per annum. In August 2017, the Group has fully received the entrusted loans.

The aged analysis of the prepayments, deposits and other receivables that are not considered to be impaired is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Neither past due nor impaired	1,104,779	183,521

The financial assets included in the above balances that were neither past due nor impaired relate to other receivables for which there was no recent history of default.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. Cash and Cash Equivalents and Pledged Time Deposits

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Cash and bank balances	1,351,558	397,775
Time deposits	1,557,735	1,358,805
	<b>2,909,293</b>	<b>1,756,580</b>
Less:		
Pledged time deposits for letters of credit	(3,590)	(21,126)
Pledged time deposits for bank loans	(747,245)	(456,341)
Pledged time deposits for notes payable	(82,244)	(5,000)
Non-pledged time deposits with original maturity over three months when acquired	(642,626)	(876,338)
	<b>1,433,588</b>	<b>397,775</b>
Cash and cash equivalents	<b>1,433,588</b>	<b>397,775</b>
Denominated in RMB	691,271	126,239
Denominated in US\$	449,721	194,164
Denominated in others	292,596	77,372
	<b>1,433,588</b>	<b>397,775</b>

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.

As at 30 June 2017, time deposits of RMB747,245,000 (31 December 2016: RMB456,341,000) were pledged to secure bank loans (note 16).

As at 30 June 2017, time deposits of RMB64,810,000 (31 December 2016: RMB5,000,000) were pledged to secure intra-group notes payable.

As at 30 June 2017, time deposits of RMB17,434,000 (31 December 2016: Nil) were pledged to secure notes payable (note 15).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Trade and Notes Payables

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade payables	87,048	102,637
Notes payable	23,924	13,505
	110,972	116,142

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:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Less than 3 months	80,839	85,792
Between 3 and 6 months	24,052	26,463
Between 6 and 12 months	4,484	2,300
Between 1 and 2 years	996	1,297
Over 2 years	601	290
	110,972	116,142

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

As at 30 June 2017, notes payable of RMB3,340,000 (31 December 2016: RMB13,505,000) were secured by the Group's notes receivable with a carrying amount of RMB3,340,000 (31 December 2016: RMB13,505,000) (note 12).

As at 30 June 2017, notes payable of RMB20,584,000 (31 December 2016: Nil) were secured by the Group's time deposits with a carrying amount of RMB17,434,000 (31 December 2016: Nil) (note 14).

The maturity date of the notes payable is within six months.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Interest-bearing Loans and Borrowings

As at 30 June 2017

	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>			
Bank loans — secured			
RMB80,000,000 bank loan	3.48	14 July 2017	80,000
RMB30,000,000 bank loan	3.70	16 July 2017	30,000
RMB58,000,000 bank loan	3.70	16 July 2017	58,000
RMB250,000,000 bank loan	3.70	16 July 2017	250,000
RMB70,000,000 bank loan	3.70	17 July 2017	70,000
RMB130,000,000 bank loan	3.70	19 July 2017	130,000
RMB31,562,851 bank loan	3.92	19 September 2017	31,563
RMB68,437,149 bank loan	3.92	19 September 2017	68,437
RMB42,177,438 bank loan	4.30	20 November 2017	42,177
RMB57,822,562 bank loan	4.30	20 November 2017	57,823
RMB48,000,000 bank loan	4.35	11 December 2017	48,000
RMB17,000,000 bank loan	4.35	12 December 2017	17,000
RMB50,000,000 bank loan	4.35	8 June 2018	50,000
RMB50,000,000 bank loan	4.35	8 June 2018	50,000
EUR23,000,000 bank loan	0.50	14 July 2017	178,241
EUR26,000,000 bank loan	0.53	15 August 2017	201,490
EUR10,000,000 bank loan	0.70	28 August 2017	77,496
EUR33,500,000 bank loan	1-Month LIBOR+0.8	24 July 2017	259,612
EUR37,000,000 bank loan	3-Month LIBOR+0.8	20 July 2017	286,735
EUR23,500,000 bank loan	1.50	24 July 2017	182,116
EUR24,000,000 bank loan	1.85	25 July 2017	185,990
EUR37,000,000 bank loan	3-Month EURIBOR+0.7	19 October 2017	286,735
EUR49,000,000 bank loan	6-Month EURIBOR+0.95	20 April 2018	379,730
EUR10,000,000 bank loan	1.05	17 May 2018	77,496
HK\$100,000,000 bank loan	3-Month HIBOR+0.7	7 August 2017	86,790
Finance lease payables, current portion	2.2	30 June 2018	147
			3,185,578
<b>Non-current</b>			
Finance lease payables	2.2	1 July 2018 – 30 August 2020	307
			3,185,885

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Interest-bearing Loans and Borrowings (Continued)

As at 31 December 2016

	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>			
Bank loans — secured			
RMB80,000,000 bank loan	3.48	22 March 2017	80,000
RMB100,000,000 bank loan	3.48	24 June 2017	100,000
RMB11,979,806 bank loan	3.70	24 June 2017	11,980
RMB250,000,000 bank loan	3.70	23 October 2017	250,000
EUR33,500,000 bank loan	3-Month LIBOR+0.7	24 June 2017	244,778
EUR23,000,000 bank loan	1.00	23 January 2017	168,056
EUR10,000,000 bank loan	0.70	28 February 2017	73,068
EUR37,000,000 bank loan	3-Month LIBOR+0.8	20 July 2017	270,352
EUR24,000,000 bank loan	1.85	25 July 2017	175,363
Discounted notes receivable	2.79	1 February 2017	100,000
	2.70	26 January 2017	150,000
Finance lease payables, current portion	2.2	31 December 2017	144
			1,623,741
<b>Non-current</b>			
Finance lease payables	2.2	1 January 2018 – 30 August 2020	372
			1,624,113

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

- (i) the pledge of certain of the Group's time deposits of RMB747,245,000 (31 December 2016: RMB456,341,000) (note 14);
- (ii) the pledge of certain of the Group's notes receivable of RMB32,930,000 (31 December 2016: RMB20,663,000) (note 12);
- (iii) the pledge of certain of the Group's intra-group notes receivable of RMB245,000,000 (31 December 2016: Nil) (note 12); and
- (iv) the pledge of certain of the Group's available-for-sale investments of RMB115,000,000 (31 December 2016: Nil) (note 11).



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Commitments

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted, but not provided for:		
Land and buildings	258,808	110,421
Plant and machinery	250,353	131,435
	<b>509,161</b>	<b>241,856</b>

### 18. Related Party Transactions

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

Company	Relationship
Steward Cross Pte. Ltd. ("Steward Cross")	Associate
Shandong Boan Biological Technology Co., Ltd. ("Shandong Boan")	An entity controlled by a director of the Company
Yantai Lujian Real Estate Co., Ltd. ("Lujian Real Estate")	An entity controlled by a director of the Company

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Related Party Transactions (Continued)

- (a) The Group had the following transactions with related parties during the six months ended 30 June 2017 and 2016:

	Notes	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Sales of products to Steward Cross	(i)	3,311	3,844
Sales of inventories to Shandong Boan	(ii)	—	1,439
Purchase of building from Lujian Real Estate	(iii)	5,710	—

Notes:

- (i) The sales to Steward Cross were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The sales to Shandong Boan were made on terms equivalent to those that prevail in arm's length transaction.
- (iii) The purchase from Lujian Real Estate was made on terms equivalent to those that prevail in arm's length transaction.

- (b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties as at 30 June 2017 and 31 December 2016:

#### (i) Due from related parties

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Steward Cross	1,207	1,393

#### (ii) Due to related parties

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Shandong Boan	808	808

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Share Award Scheme

The Company adopted a share award scheme on 10 January 2017 (the "Scheme"). The purpose of the Scheme is to recognise contributions by certain employees, including any executive director of any member of the Group except for the current executive directors and to provide them with incentives in order to retain them for the continuing operation and development of the Group and to attract suitable personnel for the further development of the Group.

Subject to any early termination as may be determined by the board of directors in accordance with the rules of the Scheme, the Scheme shall be valid and effective for a term of ten years commencing on the 10 January 2017 (the "Adoption Date").

The Scheme shall be administered by the board of directors and Bank of Communications Trustee Limited (the "Trustee") in accordance with the rules of the Scheme and the trust deed in respect of the Scheme to be entered into between the Company and the Trustee (the "Trust Deed"). The decision of the board of directors with respect to any matter arising under the Scheme (including the interpretation of any provision) shall be final and binding. The Trustee will hold the Company's shares in accordance with the terms of the Trust Deed. The Trustee may not exercise the voting rights in respect of any Shares held under the Trust.

The board of directors may from time to time cause to be paid an amount to the Trustee by way of settlement or otherwise contributed by the Company or other member of the Group as directed by the board of directors. The committee appointed and authorised by the board of directors to administer the Scheme, which shall consist of three members of the senior management of the Company to be appointed by the board of directors, may from time to time instruct the Trustee in writing to purchase shares on the Stock Exchange specifying the timing of purchase, maximum amount of funds to be used and the range of prices within which such shares are to be purchased.

The board of directors may from time to time select any employee (excluding any employee who is resident in a place where the award of, in respect of a selected employee, such number of shares awarded by the Board (the "Awarded Shares") and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Scheme is not permitted under the laws or regulations of such place or where in the view of the board of directors or the Trustee of the Scheme, compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such employee) for participation in the Scheme as a selected employee and grant to such selected employee Awarded Shares in such number at a stated price at which an Award Share is granted to a selected employee (the "Grant Price") and on and subject to such terms and conditions as it may in its discretion determine.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Share Award Scheme (Continued)

The board of directors is entitled to impose any conditions as it deems appropriate in its discretion with respect to the vesting of the Awarded Shares on the selected employee. Upon the vesting of the Awarded Shares, the selected employee may elect to have the Awarded Shares transferred to him or effect the sale of the Awarded Shares and receive the net proceeds from such sale. In either case, the selected employee shall pay the Company the Grant Price for the Awarded Shares.

A selected employee will not have any interest or rights (including the right to vote at general meetings of the Company or the right to receive dividends) in the Awarded Shares prior to, in respect of a selected employee, the date on which his entitlement to the Awarded Shares is vested in such selected employee pursuant to the terms of the Scheme (the "Vesting Date"). Prior to the Vesting Date, any award of Awarded Shares is personal to the selected employee to whom it is made and is not assignable and no selected employee may in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Awarded Shares referable to him pursuant to such award. In the event that a selected employee has ceased to be an employee, the relevant award made to such selected employee will automatically lapse and the relevant Awarded Shares will remain part of the funds under the Trust.

The Scheme will terminate on the earlier of (i) the 10th anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the board of directors provided that such termination shall not materially and adversely affect any subsisting rights of any selected employee.

The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The fair value of the share option is measured based on the general accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties.

Pursuant to share award notices issued on 15 May 2017 to those selected employees, an aggregate of 17,724,000 shares (the "2017 Awarded Shares") of the Company of US\$0.02 each were granted at the consideration of HK\$4 for each share and the earliest vesting date of the 2017 Awarded Shares is 15 May 2020. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period and meet the expectation of the Company on daily performance.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Share Award Scheme (Continued)

The following awarded shares were outstanding under the Scheme during the period:

	Number of shares purchased for the Scheme	Number of awarded shares
At 1 January 2017	—	—
Purchased and awarded	66,418,500	17,724,000
At 30 June 2017	66,418,500	17,724,000
Exercisable as at 30 June 2017	—	—

During the period, a share award expense of RMB1,175,000 was charged to the interim condensed consolidated statement of profit or loss (the six months ended 30 June 2016: Nil), of which an amount of RMB80,000 was included in the directors' remuneration (the six months ended 30 June 2016: Nil).

### 20. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at 30 June 2017 and 31 December 2016 are as follows:

As at 30 June 2017 (Unaudited)

#### Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	851,979	851,979
Trade and notes receivables	1,369,871	—	1,369,871
Financial assets included in prepayments, deposits and other receivables	1,033,929	—	1,033,929
Cash and cash equivalents	1,433,588	—	1,433,588
Time deposits with original maturity of over three months	642,626	—	642,626
Pledged time deposits	833,079	—	833,079
Due from related parties	1,207	—	1,207
	5,314,300	851,979	6,166,279

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Financial Instruments by Category (Continued)

The carrying amounts of each of the categories of financial instruments as at 30 June 2017 and 31 December 2016 are as follows: (continued)

As at 30 June 2017 (Unaudited)

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	110,972	110,972
Financial liabilities included in other payables and accruals	219,193	219,193
Interest-bearing loans and borrowings	3,185,885	3,185,885
	<b>3,516,050</b>	<b>3,516,050</b>

As at 31 December 2016 (Audited)

#### Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	1,475,930	1,475,930
Trade and notes receivables	1,415,009	—	1,415,009
Financial assets included in prepayments, deposits and other receivables	133,424	—	133,424
Cash and cash equivalents	397,775	—	397,775
Time deposits with original maturity of over three months	876,338	—	876,338
Pledged time deposits	482,467	—	482,467
Due from related parties	1,393	—	1,393
	<b>3,306,406</b>	<b>1,475,930</b>	<b>4,782,336</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Financial Instruments by Category (Continued)

The carrying amounts of each of the categories of financial instruments as at 30 June 2017 and 31 December 2016 are as follows: (continued)

As at 31 December 2016 (Audited)

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	116,142	116,142
Financial liabilities included in other payables and accruals	251,897	251,897
Interest-bearing loans and borrowings	1,624,113	1,624,113
	1,992,152	1,992,152

#### 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.

#### 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 11).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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 2017 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments: Equity investment	2,197	—	—	2,197
Investment in bank financial products	—	849,282	—	849,282
	2,197	849,282	—	851,479

As at 31 December 2016 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments: Equity investment	2,146	—	—	2,146
Investment in bank financial products	—	1,473,284	—	1,473,284
	2,146	1,473,284	—	1,475,430

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 (the six months ended 30 June 2016: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2017 and 31 December 2016.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

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

Management has determined that the carrying amounts of cash and cash equivalents, time deposits, trade and notes receivables, deposits and other receivables, amounts due from/to related parties, trade and notes payables, other payables, 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. Events After the Reporting Period

On 4 August 2017, Shandong Luye Pharmaceutical Co., Ltd. ("Shandong Luye", a wholly-owned subsidiary of the Company) and Shandong Boan entered into asset transfer agreements pursuant to which Shandong Luye has agreed to acquire, and Shandong Boan has agreed to transfer to Shandong Luye, two biological antibody products under research and development, being LY01008 and LY06006 (the "Products"), and their respective technologies, data and all rights attaching to the Products including but not limited to the clinical trials approval, for a total consideration of RMB450 million, which is payable by stages.

For the details of the asset transfer agreement, please refer to the Company's announcement dated 4 August 2017.