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## Lee's Pharmaceutical Holdings Limited

李氏大藥廠控股有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 950)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

<b>FINANCIAL HIGHLIGHT</b>			
	<b>Six months ended 30 June</b>		<b>Change</b>
	<b>2024</b>	<b>2023</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
<b>Revenue</b>	<b>658,345</b>	512,308	+28.5%
<b>Gross profit</b>	<b>350,595</b>	284,463	+23.2%
<b>Profit attributable to the owners of the Company</b>	<b>62,478</b>	16,117	+287.7%
	<i>HK cents</i>	<i>HK cents</i>	
<b>Earnings per share</b>			
<b>Basic</b>	<b>10.61</b>	2.74	+287.2%
<b>Diluted</b>	<b>10.61</b>	2.74	+287.2%
<b>Interim dividend per share</b>	<b>2.00</b>	0.80	150.0%

\* For identification purpose only

## INTERIM FINANCIAL STATEMENTS

The directors (the “**Directors**”) of Lee’s Pharmaceutical Holdings Limited (the “**Company**”) present herewith the unaudited consolidated interim financial results (the “**Interim Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023. The Interim Results are unaudited, but have been reviewed by the Company’s auditor, Confucius International CPA Limited (the “**Auditor**”) 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. The audit committee of the Company has also reviewed with the management and the Auditor the Interim Results before recommending it to the board of Directors (the “**Board**”) for approval.

## BUSINESS REVIEW

### Revenue and Profit

Building upon previous hurdles, during the first-half 2024, the pharmaceutical industry in the mainland China continues to face new challenges from multiple angles. Pricing pressures stem from the industry’s shift towards a post-retail era, where retail prices influence medical pricing. On the marketing front, significant shifts are observed in the pharmaceutical and healthcare sectors amidst anti-corruption campaigns. Additionally, the decrease in online transactions, linked to the scale back of spending, poses a bottleneck phase for e-commerce platforms. Nevertheless, the aging population in the region, alongside continuous interlinked reforms in healthcare, health insurance, and pharmaceuticals, indicates decent potential in the industry.

The Group’s first-half 2024 revenue amounted to HK\$658,345,000, marking a considerable 28.5% increase from the same period last year’s figure of HK\$512,308,000. This growth is primarily attributed to the exceptional sales performance of products listed on the updated National Reimbursement Drug List (“**NRDL**”). Notably, products such as Treprostinil Injection (芮旋爾®) demonstrated a remarkable growth of 56.8%, while Teglutik® surged by 187.2% and Trittico® by 232.1%. Furthermore, products selected under the volume-based procurement (“**VBP**”) program, including Nadroparin Calcium Injection (立騰菁®) which experienced a staggering tenfold increase in sales. These sales surge not only drove revenue growth decently but also helped mitigate the impact of certain stagnant product sales during the period under review.

The sales dynamics within the Group have been experiencing a significant transformation as the contribution from licensed-in products continues to decrease steadily, signaling a strategic shift towards proprietary and generic products, primarily driven by changes in the market environment. In the first-half 2024, sales of licensed-in products represented 38.9% of the Group's revenue, down from 46.9% in the same period in 2023, while sales of proprietary and generic products accounted for 61.1% of revenue, up from 53.1% in the same period in 2023. Revenue growth rate for the Group's licensed-in products, and proprietary and generic products were 6.6% and 47.9%, respectively.

Despite the lower gross profit margin of 53.3% in the first-half 2024, decreased by 2.2 percentage points from 55.5% achieved in the first-half 2023, the Group's overall gross profit has improved. First-half 2024 gross profit of the Group was HK\$350,595,000 (First-half 2023: HK\$284,463,000), an increase of 23.2% compared to the same period last year. The Group has transitioned towards providing a more extensive array of products, incorporating lower-margin generic products within the national reimbursement scheme and national VBP program. While this move initially led to a decrease in the overall gross profit margin, this impact has been stabilised over time.

Research and development (“**R&D**”) expenses represented new drugs development in major therapeutic areas such as cardiovascular, woman health, paediatrics, rare diseases, dermatology and obstetrics, as well as in oncology under a separate R&D arm within the Group. During the first-half 2024, the Group remains focused on optimising resource allocation among prioritised R&D projects and maintaining efforts to save costs. An aggregate of HK\$84,713,000 has been spent in the first-half 2024 (First-half 2023: HK\$113,634,000), decreased by 25.5% compared to the same period last year and represented 12.9% to the corresponding revenue for the period (First-half 2023: 22.2%). Among which HK\$34,076,000 (First-half 2023: HK\$48,798,000) has been recognised as expenses and HK\$50,637,000 (First-half 2023: HK\$64,836,000) has been capitalised as intangible assets. The Group selects new initiatives thoughtfully while previous R&D projects conclude over time, resulting in a decrease in R&D expenditure during the review period.

The Group's selling and distribution expenses was HK\$172,265,000 in the first-half 2024, representing an increase of HK\$25,334,000 or 17.2% compared to HK\$146,931,000 in the same period last year. Overall, the selling expenses to revenue ratio during the first-half 2024 was 26.2%, decreased by 2.5 percentage points as to 28.7% same period last year. The Group continues to allocate resources towards strengthening distribution channels and introducing newer products in a prudent manner.

Overall, net profit attributable to the owners of the Company in the first-half 2024 was HK\$62,478,000, increased by 287.7% compared to HK\$16,117,000 in the same period in 2023. The start of improved profitability signals a return to normalcy and stability within the Group's financial performance.

## **Manufacturing Facilities and Production Capability**

At the Hefei site, equipment upgrades for production have been completed previously, and the current focus during the period under review is primarily on U.S. Food and Drug Administration site inspections and Good Manufacturing Practice compliance inspections for specific products. In addition, a new pre-filled production line is being designed and constructed to expand the production capacity for Fondaparinux Sodium Injection (立暢青®) and Nadroparin Calcium Injection (立騰菁®), expected to become operational in 2024.

Meanwhile, at the Nansha site, the process scale-up and production technique enhancement for Azilsartan Tablets (憩曇平®) have been underway, and the production line for Fentanyl aerosol inhalation is undergoing process scale-up and validation batch production following the success of the Phase II clinical trial.

At both sites, the emphasis is on enhancing production by improving production yield, saving energy, reducing costs, and improving efficiency, driven by the necessity to adapt to the evolving market environment.

## **Drug Development**

Currently, the Group maintains a strong project pipeline ranging from early- to late-stage development. Particularly, application for New Drug Application (“NDA”) for Cetraxal® Plus was submitted in 2023 and is currently under review by the Center for Drug Evaluation (“CDE”).

## **Major Therapeutic Areas**

The Group is currently developing several assets in major therapeutic areas, such as cardiovascular, woman health, paediatrics, rare diseases, dermatology and obstetrics. Among these, a notable late-stage program is the NDA for Intrarosa® in the treatment of vulvovaginal atrophy (VVA). This program concluded its Phase III clinical trial stage and was successfully submitted to and accepted by the CDE during the period under review.

## **Oncology Pipeline**

China Oncology Focus Limited (“COF”), a 65% owned subsidiary of the Group, is a clinical development stage company and the Group’s R&D arm focused on oncology with emphasis in immuno-oncology.

To date, COF has successfully built a robust pipeline that includes a variety of oncology assets, comprising 6 innovative treatments and 4 generics. These assets have been developed through a combination of internal R&D efforts and strategic licensing agreements.

Following the conditional approval of Socazolimab Injection (善克鈺®), an anti-PD-L1 antibody, used in treating recurrent or metastatic cervical cancer in the prior year, COF has submitted an indication expansion application therefor to the National Medical Products Administration (“NMPA”) on 28 June 2024. This submission is based on the result of a Phase III, multicenter, randomised, double-blinded, placebo-controlled clinical trial of Socazolimab combined with chemotherapy for the first-line treatment of extensive-stage small-cell lung cancer (ES-SCLC).

Moreover, COF is actively advancing the development of several programs, including (1) Socazolimab, currently undergoing Phase III clinical trials for osteosarcoma; (2) Zotiraciclib, an oral multi-kinase inhibitor, undergoing Phase I clinical trials for glioblastoma; (3) Gimatecan, a topoisomerase I inhibitor, being evaluated in Phase II clinical trials for ovarian cancer, Phase Ib/II clinical trials for small cell lung cancer, and Phase I clinical trials for pancreatic cancer in China; and (4) Socazolimab in combination with Pexa-vec (an oncolytic virus), currently in Phase Ib clinical trials for melanoma.

### **New Products Approval**

During the period under review and up to date, the Group obtained 2 registration certificate approvals from NMPA.

#### ***Levocarnitine Injection***

In February 2024, Levocarnitine Injection (5ml: 1g) has obtained drug registration approval granted by the NMPA and is deemed to have passed the consistency evaluation of quality and efficacy of generic drugs.

#### ***Epinastine Hydrochloride Tablets***

In May 2024, Epinastine Hydrochloride Tablets (20mg) has obtained drug registration approval granted by the NMPA and is deemed to have passed the consistency evaluation of quality and efficacy of generic drugs.

### **Sales and Marketing**

In light of mounting competition in the business arena, the Group has made significant efforts in recent years to bolster its sales and marketing capabilities, with early signs of improvement already visible. During the period under review, the sales and marketing team has adeptly realigned the trajectory towards sales growth and has laid a solid foundation for sustained success. To date, a total of 10 products have been included in the updated NRDL, demonstrating a commitment to broadening market access and enhancing patient affordability, and providing the team with a valuable opportunity to drive value creation.

## **PROSPECTS**

The Group encounters several challenges due to heightened competition and evolving market dynamics. Of particular concern is the incorporation of lower-margin products into the national reimbursement scheme or national VBP program, necessitating the Group's meticulous operational approach. Moreover, persistent challenges stemming from elevated operating costs and inflationary pressures continually test the Group, underscoring the need for strategic management and focus. Despite these, increased sales volume and enhanced manufacturing efficiencies are poised to mitigate this concern.

To address these challenges, the Group will persist in implementing stringent cost control measures and emphasising efficiency across the value chain, with a specific emphasis on sales and R&D functions. These proactive efforts are designed to boost profitability, enhance operational effectiveness, and secure long-term sustainability for the Group.

In the face of these obstacles, the Group remains resolute in its pursuit of objectives and unwavering in its dedication to achieving success. The Group firmly believes that these strategic initiatives will not only navigate the current challenges but also generate increased value, rewarding its shareholders for their steadfast support.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		For the six months ended 30 June	
	Notes	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	3	658,345	512,308
Cost of sales		<u>(307,750)</u>	<u>(227,845)</u>
Gross profit		350,595	284,463
Other income	4	18,915	40,949
Other gains and losses, net		2,217	(5,736)
Selling and distribution expenses		(172,265)	(146,931)
Administrative expenses		(97,054)	(90,584)
Provision for expected credit losses on financial assets		(198)	(296)
Research and development expenses		<u>(34,076)</u>	<u>(48,798)</u>
Profit from operations		68,134	33,067
Finance costs		(6,787)	(5,439)
Share of results of associates		<u>(239)</u>	<u>(440)</u>
Profit before taxation	5	61,108	27,188
Taxation	6	<u>(6,239)</u>	<u>(6,279)</u>
Profit for the period		<u><b>54,869</b></u>	<u><b>20,909</b></u>
Attributable to:			
Owners of the Company		62,478	16,117
Non-controlling interests		<u>(7,609)</u>	<u>4,792</u>
		<u><b>54,869</b></u>	<u><b>20,909</b></u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8		
Basic		<u><b>10.61</b></u>	<u>2.74</u>
Diluted		<u><b>10.61</b></u>	<u>2.74</u>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2024*

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Profit for the period	<b>54,869</b>	20,909
Other comprehensive (expense)/income:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of overseas subsidiaries	<b>(27,737)</b>	(48,217)
Item that will not be reclassified subsequently to profit or loss:		
– Fair value changes of financial assets at fair value through other comprehensive income	<b>(354,695)</b>	86,690
	<hr/>	<hr/>
Other comprehensive (expense)/income for the period, net of tax	<b>(382,432)</b>	38,473
	<hr/>	<hr/>
Total comprehensive (expense)/income for the period	<b>(327,563)</b>	59,382
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (expense)/income for the period attributable to:		
Owners of the Company	<b>(319,649)</b>	55,214
Non-controlling interests	<b>(7,914)</b>	4,168
	<hr/>	<hr/>
	<b>(327,563)</b>	59,382
	<hr/> <hr/>	<hr/> <hr/>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		At 30 June 2024	At 31 December 2023
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	414,847	443,369
Intangible assets	9	1,077,442	1,076,655
Goodwill		4,366	4,366
Interests in associates	10	4,806	5,045
Financial assets at fair value through profit or loss		11,654	11,564
Financial assets at fair value through other comprehensive income		332,281	682,842
Deferred tax assets		6,556	10,199
		<b>1,851,952</b>	2,234,040
<b>Current assets</b>			
Inventories		227,033	298,106
Trade receivables	11	127,271	84,590
Other receivables, deposits and prepayment		146,899	100,170
Advance to associates		–	–
Tax recoverable		572	569
Pledged deposits		–	2,192
Cash and bank balances		194,985	171,000
		<b>696,760</b>	656,627
<b>Current liabilities</b>			
Trade payables	12	58,236	74,147
Other payables and accruals		399,202	439,021
Bank borrowings and overdrafts	13	160,837	122,119
Lease liabilities		8,082	7,452
Tax payables		6,284	6,079
		<b>632,641</b>	648,818
<b>Net current assets</b>		<b>64,119</b>	7,809
<b>Total assets less current liabilities</b>		<b>1,916,071</b>	2,241,849

		<b>At 30 June 2024</b>	At 31 December 2023
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Capital and reserves</b>			
Share capital	14	<b>29,442</b>	29,442
Reserves		<b>1,684,103</b>	2,009,513
<b>Equity attributable to the owners of the Company</b>			
Non-controlling interests		<b>1,713,545</b>	2,038,955
		<b>(86,262)</b>	(78,357)
<b>Total equity</b>		<b>1,627,283</b>	1,960,598
<b>Non-current liabilities</b>			
Other payables and accruals		<b>22,214</b>	23,152
Bank borrowings and overdrafts	13	<b>70,636</b>	70,636
Lease liabilities		<b>7,856</b>	3,933
Retirement benefits		<b>115,980</b>	110,100
Deferred tax liabilities		<b>72,102</b>	73,430
		<b>288,788</b>	281,251
		<b>1,916,071</b>	2,241,849

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2024*

	Attributable to the owners of the Company										
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger difference <i>HK\$'000</i>	Share- based compensation reserve <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Investments revaluation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Sub- total <i>HK\$'000</i>	Attributable to non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2024 (audited)	29,442	720,091	9,200	52,138	65,293	(2,292,778)	(104,956)	3,560,525	2,038,955	(78,357)	1,960,598
Employee share option benefits	-	-	-	105	-	-	-	-	105	-	105
Gain on partial disposal of interests in a subsidiary	-	-	-	-	22	-	-	-	22	9	31
Profit for the period	-	-	-	-	-	-	-	62,478	62,478	(7,609)	54,869
Other comprehensive (expenses)/income for the period											
– Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(27,449)	-	(27,449)	(288)	(27,737)
– Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	(354,678)	-	-	(354,678)	(17)	(354,695)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(354,678)	(27,449)	62,478	(319,649)	(7,914)	(327,563)
2023 final dividend paid	-	-	-	-	-	-	-	(5,888)	(5,888)	-	(5,888)
At 30 June 2024 (unaudited)	<u>29,442</u>	<u>720,091</u>	<u>9,200</u>	<u>52,243</u>	<u>65,315</u>	<u>(2,647,456)</u>	<u>(132,405)</u>	<u>3,617,115</u>	<u>1,713,545</u>	<u>(86,262)</u>	<u>1,627,283</u>
At 1 January 2023 (audited)	29,442	720,091	9,200	61,792	65,302	(2,433,314)	(72,385)	3,543,979	1,924,107	(81,583)	1,842,524
Employee share option benefits	-	-	-	595	-	-	-	-	595	-	595
Share options lapsed	-	-	-	(897)	-	-	-	897	-	-	-
Profit for the period	-	-	-	-	-	-	-	16,117	16,117	4,792	20,909
Other comprehensive (expenses)/income for the period											
– Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(47,820)	-	(47,820)	(397)	(48,217)
– Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	86,917	-	-	86,917	(227)	86,690
Total comprehensive income/(expense) for the period	-	-	-	-	-	86,917	(47,820)	16,117	55,214	4,168	59,382
2022 final dividend paid	-	-	-	-	-	-	-	(5,888)	(5,888)	-	(5,888)
At 30 June 2023 (unaudited)	<u>29,442</u>	<u>720,091</u>	<u>9,200</u>	<u>61,490</u>	<u>65,302</u>	<u>(2,346,397)</u>	<u>(120,205)</u>	<u>3,555,105</u>	<u>1,974,028</u>	<u>(77,415)</u>	<u>1,896,613</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Operating activities</b>		
Cash generated from operations	67,203	44,205
Interest paid	(6,233)	(4,560)
Income tax paid	(1,994)	(582)
	<u>58,976</u>	<u>39,063</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(11,262)	(13,518)
Payment for construction in progress	(268)	(1,069)
Additions to development cost and license fees	(50,637)	(72,071)
Other cash flows arising from investing activities	(3,039)	(1,929)
	<u>(65,206)</u>	<u>(88,587)</u>
<b>Financing activities</b>		
Dividends paid	(5,888)	(5,888)
Other cash flows arising from financing activities	33,887	26,630
	<u>27,999</u>	<u>20,742</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>21,769</b>	<b>(28,782)</b>
Cash and cash equivalents at 1 January	167,528	189,301
Effect of foreign exchange rate changes	1,497	1,000
	<u>190,794</u>	<u>161,519</u>
Cash and cash equivalents at 30 June	<u><b>190,794</b></u>	<u><b>161,519</b></u>
<b>Analysis of cash and cash equivalents:</b>		
Cash and bank balances	194,985	161,519
Less: Bank overdrafts	(4,191)	–
	<u><b>190,794</b></u>	<u><b>161,519</b></u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## 2. MATERIAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as appropriate.

The unaudited 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 for the year ended 31 December 2023.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the six months ended 30 June 2024 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2023 except as described below.

In the current reporting period, the Group has applied the following amendments to HKFRS issued by the HKICPA for the first time which are mandatorily effective for the annual periods beginning on or after 1 January 2024 for the preparation of the Group’s unaudited condensed consolidated financial statements. HKFRS comprise Hong Kong Financial Reporting Standards; HKASs; Hong Kong (IFRIC) Interpretations; Hong Kong Interpretations and Hong Kong (SIC) Interpretations.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The application of these amendments to HKFRS has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early applied the following new and amendments to HKFRS that have been issued but are not yet effective:

Amendments to HKAS 21	Lack of Exchangeability <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>3</sup>
HKFRS 19	Subsidiaries without Public Accountability: Disclosures <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>4</sup> Effective date to be determined

The Group has already commenced an assessment of the impact of these new and amendments to HKFRS but is not yet in a position to state whether these new and amendments to HKFRS would have a material impact on its results of operations and financial positions.

### 3. SEGMENT INFORMATION

Information reported to the Chairman of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of good delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Proprietary and generic products	–	Manufacturing and sales of self-development and generic pharmaceutical products
Licensed-in products	–	Trading of licensed-in pharmaceutical products

Revenue including manufacturing and trading of pharmaceutical products are recognised at a point in time.

## Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

### Six months ended 30 June

	Proprietary and generic products		Licensed-in products		Consolidated	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Segment revenue	<b>402,343</b>	272,091	<b>256,002</b>	240,217	<b>658,345</b>	512,308
Segment operating results	<b>90,082</b>	58,978	<b>23,402</b>	35,889	<b>113,484</b>	94,867
Research and development expenses	<b>(18,796)</b>	(16,713)	<b>(15,280)</b>	(32,085)	<b>(34,076)</b>	(48,798)
Segment results	<b>71,286</b>	42,265	<b>8,122</b>	3,804	<b>79,408</b>	46,069
Unallocated income					<b>10,876</b>	8,655
Unallocated expenses					<b>(22,150)</b>	(21,657)
Profit from operations					<b>68,134</b>	33,067
Finance costs					<b>(6,787)</b>	(5,439)
Profit before share of results of associates					<b>61,347</b>	27,628
Share of results of associates					<b>(239)</b>	(440)
Profit before taxation					<b>61,108</b>	27,188
Taxation					<b>(6,239)</b>	(6,279)
Profit for the period					<b>54,869</b>	20,909

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current interim period (six months ended 30 June 2023: Nil).

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments for the period/year:

	Proprietary and generic products		Licensed-in products		Consolidated	
	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Segment assets	1,076,264	763,594	959,239	1,283,310	2,035,503	2,046,904
Unallocated assets					513,209	843,763
Total assets					<u>2,548,712</u>	<u>2,890,667</u>
Segment liabilities	236,047	234,569	251,585	346,401	487,632	580,970
Unallocated liabilities					433,797	349,099
Total liabilities					<u>921,429</u>	<u>930,069</u>

## Geographical information

During both the six months ended 30 June 2024 and 2023, more than 90% of the Group's revenue was derived from activities conducted in the People's Republic of China (the "PRC"), no geographical information on revenue is presented.

The following is an analysis of the Group's assets and liabilities by geographical market for the period/year:

	The PRC		Hong Kong and others		Total	
	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Total assets	1,711,985	1,656,662	836,727	1,234,005	2,548,712	2,890,667
Total liabilities	<u>506,012</u>	<u>458,509</u>	<u>415,417</u>	<u>471,560</u>	<u>921,429</u>	<u>930,069</u>



#### 4. OTHER INCOME

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Interest income on bank deposits	1,082	662
Development and government grants	93	26,179
Rental and utilities income	9,195	7,525
Research and development service income	59	4,067
Sundry income	8,486	2,516
	<u>18,915</u>	<u>40,949</u>

The Group received the development grants from local government as recognition of the Group's performance and development of high-technology pharmaceutical products.

#### 5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the following items:

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Depreciation of property, plant and equipment (including right-of-use assets)	38,571	49,601
Amortisation of intangible assets	31,881	28,146
	<u>70,452</u>	<u>77,747</u>
Total depreciation and amortisation	<u>70,452</u>	<u>77,747</u>
Interest expenses on borrowings and overdrafts	6,134	4,594
Interest expenses on lease liabilities	406	361
Share-based payments	105	595
– Directors	14	186
– Employees	91	409
	<u>91</u>	<u>409</u>

## 6. TAXATION

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Current tax		
Hong Kong Profits Tax	<b>2,319</b>	10,895
PRC Enterprise Income Tax	<u>–</u>	<u>–</u>
	<b>2,319</b>	10,895
Under provision in prior years		
Hong Kong Profits Tax	<u>–</u>	<u>–</u>
PRC Enterprise Income Tax	<b>11</b>	17
	<b>11</b>	17
Deferred tax		
Origination/(Reversal) of temporary difference	<u><b>3,909</b></u>	<u>(4,633)</u>
	<u><b>6,239</b></u>	<u>6,279</u>

Hong Kong Profits Tax for the six months ended 30 June 2024 is calculated at 8.25% (six months ended 30 June 2023: 8.25%) on the first HK\$2 million of the estimated assessable profits and at 16.5% (six months ended 30 June 2023: 16.5%) on the estimated assessable profits above HK\$2 million according to the two-tiered profits tax rates regime.

Tax arising in the PRC is calculated at the tax rates prevailing in the PRC. Taxation arising in other jurisdictions is calculated at the tax rate prevailing in the relevant jurisdictions.

## 7. DIVIDENDS

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interim dividend declared – HK\$0.020 (2023: HK\$0.008) per ordinary share based on issued share capital at the end of the reporting period	<u><b>11,777</b></u>	<u>4,711</u>

Interim dividend will be paid on 3 October 2024 to shareholders registered in the Company's register of members as at the close of business on 17 September 2024. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position. 2023 final dividend of HK\$0.010 per share, totalling HK\$5,888,000 was paid on 17 June 2024.

## 8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Earnings:		
Net profit attributable to the owners of the Company for the purpose of basic and diluted earnings per share	<b>62,478</b>	<b>16,117</b>
	<b>588,835</b>	<b>588,835</b>
	<b>–</b>	<b>–</b>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>588,835</b>	<b>588,835</b>

  

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>Share(s)'000</b>	<b>Share(s)'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>588,835</b>	<b>588,835</b>
Effect of dilutive potential ordinary shares:		
Options	<b>–</b>	<b>–</b>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>588,835</b>	<b>588,835</b>

## 9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

### (a) Right-of-use assets

During the six months ended 30 June 2024, the Group entered into a number of lease agreements and therefore recognised the additions to right-of-use assets of approximately HK\$9 million (six months ended 30 June 2023: approximately HK\$13 million).

### (b) Owned property, plant and equipment

During the six months ended 30 June 2024, additions to owned property, plant and equipment amount to approximately HK\$12 million (six months ended 30 June 2023: approximately HK\$15 million).

### (c) Intangible assets

During the six months ended 30 June 2024, additions to intangible assets amount to approximately HK\$51 million (six months ended 30 June 2023: approximately HK\$72 million), which consist of both license fees and development cost.

During both the six months ended 30 June 2023 and 2024, there is no provision for impairment on, or write-off of, intangible assets recognised in profit or loss.

## 10. INTERESTS IN ASSOCIATES

The movements in the Group's interests in associates during the reporting period/year are as follows:

	<b>30 June 2024 HK\$'000 (unaudited)</b>	31 December 2023 HK\$'000 (audited)
At beginning of the period/year	5,045	5,163
Acquisition of additional interest in associates	–	605
Gain on deemed disposal of interest in associates	–	147
Share of post-acquisition loss	(239)	(870)
	<hr/>	<hr/>
At end of the period/year	<b>4,806</b>	<b>5,045</b>

Details of the Group's associates at the end of the reporting period/year are as follows:

Name of associate	Place of incorporation/ operations	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		30 June 2024	31 December 2023	30 June 2024	31 December 2023	
Powder Pharmaceuticals Incorporated	British Virgin Islands/ Hong Kong	33.92%	33.92%	33.92%	33.92%	Development, manufacturing and sale of pharmaceutical products
ZERO Biotech Company Limited	Hong Kong/Hong Kong	29.25%	29.25%	29.25%	29.25%	Operation of a central pharmacy for compounding radiopharmaceuticals

## 11. TRADE RECEIVABLES

The Group allows an average credit period of 30 – 120 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the revenue recognition dates, and net of allowance for expected credit loss at the end of the reporting period:

	<b>30 June 2024 HK\$'000 (unaudited)</b>	31 December 2023 HK\$'000 (audited)
0 – 30 days	75,618	41,315
31 – 120 days	50,542	43,053
121 – 180 days	861	132
181 – 365 days	250	82
Over 365 days and under 3 years	–	8
	<hr/>	<hr/>
	<b>127,271</b>	<b>84,590</b>

## 12. TRADE PAYABLES

The average credit period on purchases of certain goods is 90 days.

The following is an analysis of trade payables by age, presented based on invoice date, at the end of the reporting period:

	<b>30 June 2024 HK\$'000 (unaudited)</b>	31 December 2023 HK\$'000 (audited)
0 – 90 days	57,548	63,209
91 – 180 days	158	4,913
181 – 365 days	530	5,556
Over 365 days	–	469
	<u>58,236</u>	<u>74,147</u>

## 13. BANK BORROWINGS AND OVERDRAFTS

	<b>30 June 2024 HK\$'000 (unaudited)</b>	31 December 2023 HK\$'000 (audited)
<b>Current</b>		
Bank overdrafts – secured	4,191	3,472
Bank borrowings – secured	113,886	96,727
Bank borrowings – unsecured	42,760	21,920
	<u>160,837</u>	<u>122,119</u>
<b>Non-current</b>		
Bank borrowings – secured	70,636	70,636
	<u>70,636</u>	<u>70,636</u>
<b>Total</b>	<u>231,473</u>	<u>192,755</u>
Carrying amount of the bank borrowings and overdrafts are repayable ( <i>Note a</i> ):		
Within one year	160,837	122,119
More than one year but not exceeding two years	6,727	6,727
More than two years but not exceeding five years	63,909	63,909
	<u>231,473</u>	<u>192,755</u>

*Note a:* The table is based on the agreed repayment schedule provided by banks.

Bank borrowings and overdrafts carry floating interest rates which is adjusted with reference to Hong Kong Interbank Offered Rate or Loan Prime Rate at both 30 June 2024 and 31 December 2023. As at 30 June 2024, the effective interest rates of Group's bank borrowings and overdrafts ranged from 2.50% to 7.48% (31 December 2023: 2.50% to 8.59%) per annum.

The Group's bank borrowings and overdrafts are denominated in the following currencies:

	<b>30 June 2024</b>	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Hong Kong Dollars	<b>188,713</b>	170,835
Renminbi	<b>42,760</b>	21,920
	<b>231,473</b>	192,755

#### 14. SHARE CAPITAL

	<b>Number of shares</b>		<b>Share capital</b>	
	<b>30 June 2024</b>	31 December 2023	<b>30 June 2024</b>	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)	<b>(unaudited)</b>	(audited)
Authorised:				
Ordinary shares of HK\$0.05 each	<b>1,000,000,000</b>	1,000,000,000	<b>50,000</b>	50,000
Issued and fully paid:				
At beginning and end of the period/year	<b>588,835,343</b>	588,835,343	<b>29,442</b>	29,442

#### 15. RELATED PARTY TRANSACTIONS

During the reporting period, the Group entered into the following transactions with related parties. In the opinion of the directors of the Company, the following transactions arose in the ordinary course of the Group's business.

##### (a) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the reporting period was as follows:

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Short-term employee benefits	<b>11,991</b>	9,382
Share-based payments	<b>14</b>	186
Retirement and other post-employment benefits	<b>5,889</b>	3,034
– Defined contribution plan	<b>9</b>	9
– Retirement benefits	<b>5,880</b>	3,025
	<b>17,894</b>	12,602

(b) **Donation to Lee’s Pharmaceutical – Kanya Lee Scholarship Limited (“Kanya Lee Scholarship”)**

During the six months ended 30 June 2024, total HK\$200,000 (six months ended 30 June 2023: HK\$200,000) was donated to Kanya Lee Scholarship. Ms. Leelalertsuphakun Wanee and Ms. Lee Siu Fong, directors of the Company, are also members of key management of Kanya Lee Scholarship and Kanya Lee Scholarship is considered as a related party to the Group.

**16. CAPITAL COMMITMENTS**

	<b>30 June 2024 HK\$’000 (unaudited)</b>	31 December 2023 HK\$’000 (audited)
Capital commitments contracted for:		
Investment in financial assets at fair value through other comprehensive income	<b>10,892</b>	16,556
Intangible assets – license fee and development cost	<b>85,584</b>	100,081
Property, plant and equipment	<b>36,139</b>	26,159
	<b>132,615</b>	142,796

**17. PLEDGE OF ASSETS**

There were no assets being pledged as at 30 June 2024.

At 31 December 2023, the Group has pledged deposits for bill payable amounting to HK\$2,192,000.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

## **INTERIM DIVIDEND**

The Board recommended an interim dividend of HK\$0.020 (2023: HK\$0.008) per share to shareholders registered in the Company's register of members as at the close of business on Tuesday, 17 September 2024.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from Monday, 16 September 2024 to Tuesday, 17 September 2024 (both days inclusive). In order to establish entitlements to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 13 September 2024. Interim dividend will be paid on Thursday, 3 October 2024 to shareholders registered in the Company's register of members as at the close of business on Tuesday, 17 September 2024.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules throughout the six months ended 30 June 2024.

Looking forward, the Board will continue to conduct reviews on the Company's corporate governance practices from time to time to ensure compliance with the CG Code.

## **PUBLICATION OF FINANCIAL INFORMATION**

The interim report for the six months ended 30 June 2024 containing all the detailed information will be dispatched to the shareholders of the Company and published on the respective websites of The Stock Exchange of Hong Kong Limited (<https://www.hkexnews.hk>) and the Company (<https://www.leespharm.com>) in due course.

By order of the Board  
**Lee's Pharmaceutical Holdings Limited**  
**Lee Siu Fong**  
*Chairman*

Hong Kong, 28 August 2024

*As at the date of this announcement, Ms. Lee Siu Fong (Chairman) and Ms. Leelalertsuphakun Wanee are executive Directors; Dr. Li Xiaoyi, Mr. James Charles Gale and Mr. Huang Zuie Chin are non-executive Directors; Dr. Chan Yau Ching, Bob, Ms. Cheang Yee Wah, Eva and Dr. Tsim Wah Keung, Karl, are independent non-executive Directors.*