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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 2022

FINANCIAL HIGHLIGHT						
	Three months ended			Six months ended		
	30 June		Change	30 June		Change
	2022	2021		2022	2021	
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Revenue	324,416	300,910	+7.8%	649,166	584,052	+11.1%
Gross profit	203,652	194,135	+4.9%	419,478	386,546	+8.5%
Profit attributable to the owners of the Company	8,153	2,114,152	-99.6%	28,460	2,155,200	-98.7%
	HK cents	HK cents		HK cents	HK cents	
Earnings per share						
Basic	1.38	359.07	-99.6%	4.83	366.24	-98.7%
Diluted	1.38	358.92	-99.6%	4.83	366.00	-98.7%

\* 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 2022, together with the comparative figures for the corresponding period in 2021. The Interim Results are unaudited, but have been reviewed by the Company’s auditor, HLM 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 (“**HKICPA**”). 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

During the second-quarter 2022, the implementation of stringent lockdown measures in major cities in China to contain the outbreak of COVID has posed significant business disruption and supply chain challenges. Seeing decent sales growth during the period under review is truly a bliss under the present persistently sagging economy in the region.

First-half 2022 revenue of the Group totalled HK\$649,166,000 (First-half 2021: HK\$584,052,000), an increase of 11.1% compared to the same period last year. Second-quarter 2022 revenue of the Group totalled HK\$324,416,000 (Second-quarter 2021: HK\$300,910,000), an increase of 7.8% compared to the prior-year quarter. Sales growth in the first-half 2022 was primarily driven by the contributions from the newly launched Bredinin™, as well as Treprostinil Injection and Yallaferon® which grew by 48.9% and 4.7%, respectively, and offset lower sales of out-patient drugs such as Ferplex® and surgical drugs such as Livaracine® and Slounase®.

Sales of licensed-in products in the first-half 2022 accounted for 61.2% (First-half 2021: 57.3%) of the Group’s revenue while sales of proprietary and generic products in the first-half 2022 contributed 38.8% (First-half 2021: 42.7%) of the Group’s revenue.

First-half 2022 gross profit of the Group was HK\$419,478,000 (First-half 2021: HK\$386,546,000), an increase of 8.5% compared to the same period last year. Second-quarter 2022 gross profit of the Group was HK\$203,652,000 (Second-quarter 2021: HK\$194,135,000), an increase of 4.9% compared to the prior-year quarter. Second-quarter 2022 gross profit margin of the Group was 62.8%, decreased by 1.7 percentage points as compared to 64.5% achieved during the prior-year quarter. The Group’s overall gross profit margin was 64.6%, decreased by 1.6 percentage points as to 66.2% achieved in the first-half 2021 due to increase in proportion of revenue generated from the sales of licensed-in products.

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. An aggregate of HK\$206,517,000 has been spent in the first-half 2022 (First-half 2021: HK\$240,043,000), decreased by 14.0% compared to the same period last year and represented 31.8% to the corresponding revenue for the period (First-half 2021: 41.1%). Among which HK\$116,590,000 (First-half 2021: HK\$112,899,000) has been recognised as expenses and HK\$89,927,000 (First-half 2021: HK\$127,144,000) has been capitalised as intangible assets. The Group continues to optimise the resources allocation among prioritised R&D projects and the cost-saving effect thereof has begun to show.

The Group’s selling and distribution expenses was HK\$176,215,000 in the first-half 2022, representing an increase of HK\$12,097,000 or 7.4% compared to HK\$164,118,000 in the same period last year. Overall, the selling expenses to revenue ratio during the first-half 2022 was 27.1%, slightly decreased by 1.0 percentage point as to 28.1% same period last year. In March 2022, the Group has launched its own flagship online stores on e-commerce platform of Alibaba.com and JD.com to strengthen its brand awareness and expand its sales channels. The Group continues to deploy adequate resources to support the works for strengthening the distribution channels, preparing for the roll-out of new and upcoming products, as well as transforming the brand of selected products of the Group.

Overall, net profit attributable to the owners of the Company in the first-half 2022 was HK\$28,460,000, decreased by 98.7% over the same period in 2021, and was mainly attributable to the net effect of (i) the absence of one-off gain of approximately HK\$2.32 billion attributable to the derecognition of the investment in Zhaoke Ophthalmology Limited as an associate of the Company in April 2021; (ii) the absence of an aggregate one-time loss of approximately HK\$190.1 million attributable to the estimated impairment of intangible assets due to the optimisation of R&D portfolio in the second quarter 2021; and (iii) the absence of one-time loss of approximately HK\$40.2 million attributable to the full impairment for the licensing fee and development cost for a launched oral antihypertensive product previously capitalised, in the second-quarter 2021.

### **Manufacturing Facilities and Production Capability**

Over the years, there have been considerable changes and upgrades in the Group’s manufacturing and production capability. During the period under review and up to date, the Group’s Hefei site has completed the production capacity expansion and process scale up facility upgrades of Yallaferon®, same line production facility upgrades for new pre-filled syringe injection products before introduction to the market, and the making of registration batch of new product in the form of oral lyophilised powder used as sensitiser in surgery for tumor. In Nansha site, the process scale up equipment installation and commission for the manufacturing of inhaled pharmaceutical aerosols has been completed and will have the process scale up pilot run soon, the production process upgrades for oral dose antihypertension drug is in progress, and the making of three pivotal registration batches of the oral cytotoxic drugs in the special workshop has been completed.

## **Drug Development**

To date, the Group has over 40 projects in its pipeline from early- to late-stage development. The applications made in the prior year for New Drug Application (“**NDA**”) of Adasuve<sup>®</sup>, and for Abbreviated New Drug Application (“**ANDA**”), namely Azilsartan, Epinastine Hydrochloride tablet, and Apremilast tablet (阿普米司特片), are under review by the Centre for Drug Evaluation (the “**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, which includes late-stage programs such as (1) Cetraxal<sup>®</sup> Plus for acute otitis externa (AOE) and acute otitis media with tympanostomy tubes (AOMT) which has just completed its Phase III clinical trial stage and is expected to file application to the CDE in September 2022; and (2) Intrarosa<sup>®</sup> in the treatment of vulvovaginal atrophy (VVA) which is currently in Phase III clinical trial stage and patient enrolment is in good progress.

## **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 built a pipeline of 10 oncology assets, including 6 innovative and 4 generics, through internal development and in-licensing, and is currently developing several assets, including (1) Socazolimab (an anti-PD-L1 antibody) in recurrent or metastatic cervical cancer in new drug application stage in China; (2) Socazolimab in osteosarcoma in Phase III clinical trial; (3) Socazolimab combined with chemotherapy in small cell lung cancer in Phase III clinical trial and has completed the patient enrollment in May 2022; (4) Zotiraciclib, an oral multi-kinase inhibitor in Phase I clinical trial for glioblastoma; (5) Gimatecan, a topoisomerase I inhibitor in Phase II clinical trial for ovarian cancer and in Phase Ib/II clinical trial for small cell lung cancer and a Phase I clinical trial for pancreatic cancer in China; and (6) Socazolimab combined with Pexa-vec (oncolytic virus) which is in Phase Ib clinical trial for melanoma.

During the period under review and up to date, the Group obtained 6 ANDA and IDL approvals from NMPA.

## **Zingo<sup>®</sup>**

On 1 March 2022, the Drug Registration Certificate for Zingo<sup>®</sup> (Lidocaine Hydrochloride Powder Intradermal Injection System) has been obtained from the NMPA. Zingo<sup>®</sup> is an amide local anesthetic indicated for use on intact skin to provide local analgesia prior to venipuncture or peripheral intravenous cannulation in children 3–18 years of age and to provide topical local analgesia prior to venipuncture in adults. The rapid onset of analgesia in 1–3 minutes provides care givers and patients the opportunity for a pain-free and needle-free access procedure.

### ***INOmax®***

On 8 March 2022, the Drug Registration Certificate for INOmax® (nitric oxide gas for inhalation) has been obtained from the NMPA. INOmax® is a therapy for the treatment of hypoxic respiratory failure (“**HRF**”) associated with pulmonary hypertension (“**PPHN**”) in term and near-term infants greater than 34 weeks gestational age. PPHN is a serious condition in which blood vessels in the lungs constrict, making it difficult to oxygenate blood, often resulting in HRF. INOmax® is a vasodilator which selectively relaxes pulmonary blood vessels and, in conjunction with ventilatory support and other appropriate agents, improves oxygenation in this fragile newborn population.

### ***High Concentration Treprostinil Injection***

On 9 March 2022, the Drug Registration Certificate for High Concentration Treprostinil Injection (specification: 20ml:50mg) developed and manufactured by Zhaoke Pharmaceutical (Hefei) Co. Limited, a wholly-owned subsidiary of the Company, has been obtained from the NMPA.

### ***Natulan®***

On 21 April 2022, the Drug Registration Certificate for Natulan® (Procarbazine Hydrochloride Capsules) has been obtained from the NMPA. Natulan® has been approved for combining with chemotherapy to treat Hodgkin’s lymphoma (HL) in adult.

### ***Teglutik®***

On 31 May 2022, the Drug Registration Certificate for Teglutik® (Riluzole Oral Suspension) has been obtained from the NMPA. Teglutik® has been approved to prolong life or delay the institution of mechanical ventilation in patients with amyotrophic lateral sclerosis (ALS).

### ***Nadroparin Calcium Injection***

On 31 May 2022, the Drug Registration Certificate for Nadroparin Calcium Injection has been obtained from the NMPA.

### **Business Partnership**

In-licensing approach is the Group’s preferred mode of business development strategy. Nevertheless, the Group has remained selective in entering new in-licensing deals. On 18 July 2022, the Group has entered into a license agreement with Unicycive Therapeutics, Inc., a NASDAQ-listed company, pursuant to which the Group has been granted exclusive rights to develop, market and commercialise Renazorb® (lanthanum dioxycarbonate) in Mainland China, Hong Kong, and certain other Asian markets. Renazorb® is a novel phosphate binding agent being developed for the treatment of hyperphosphatemia in chronic kidney disease (CKD) patients.

## PROSPECTS

Looking ahead to the second-half 2022, the market environment remains challenging amid uncertainties on various external factors such as COVID pandemic, geopolitical tensions and rising inflation, and the Group will closely monitor the impact thereof and on the other hand, the Group will keep expenditure within the limits of revenue.

In addition, reform measures within the pharmaceutical industry in China, aim at increasing access to drugs and making drugs affordable, has forced the Group to consider the driving force of its future development. Given the current volume-based procurement (“VBP”) program in China, it is expected that the competitive edge of imported originator products will be gradually diminishing when the localised affordable generics become more widely available. Recently, the Group’s Fondaparinux Sodium has been successfully entered into the VBP program, and it is expected that more products, such as low molecular weight heparin, will have the chance to enter into the upcoming VBP programs and to provide additional revenue for the Group. Accordingly, the Group contemplates that the best solution for Carnitene<sup>®</sup>, a potential target in the upcoming VBP program and its licensing agreement expiring in the second-half 2022, will be to develop the domestic generic version to pave the way for the Group’s long-term prosperity, and the Group 6 newly approved products during the period under review and up to date, and 2 more NDA approvals expected to be received in the year ending 2022, shall also provide new revenue streams for the Group during the transformation.

Furthermore, the Group has implemented a series of measures to adapt to the “new normal” and to emphasis efficiency at every step of the value chain, particularly in key areas such as sales and R&D, after taking the present conditions into consideration, and the effect has begun to show.

The Group firmly believes that all these works to be done will endeavour to strengthen its competitiveness and create more value to reward its shareholders, staff and customers for their support.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2022

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	324,416	300,910	649,166	584,052
Cost of sales		(120,764)	(106,775)	(229,688)	(197,506)
Gross profit		203,652	194,135	419,478	386,546
Other income	4	21,081	33,357	45,702	64,938
Other gains and losses, net		(5,346)	2,090,917	(5,227)	2,093,266
Selling and distribution expenses		(94,249)	(91,549)	(176,215)	(164,118)
Administrative expenses		(53,796)	(65,330)	(111,075)	(124,201)
Net reversal of/(provision for) expected credit losses on financial assets		3,931	(749)	(253)	(419)
Research and development expenses		(54,956)	(65,034)	(116,590)	(112,899)
Profit from operations		20,317	2,095,747	55,820	2,143,113
Finance costs		(1,762)	(1,252)	(3,499)	(2,523)
Share of results of associates		(271)	(1,047)	(526)	(3,311)
Profit before taxation	5	18,284	2,093,448	51,795	2,137,279
Taxation	6	(11,867)	4,098	(24,713)	(3,377)
Profit for the period		<u>6,417</u>	<u>2,097,546</u>	<u>27,082</u>	<u>2,133,902</u>
Attributable to:					
Owners of the Company		8,153	2,114,152	28,460	2,155,200
Non-controlling interests		(1,736)	(16,606)	(1,378)	(21,298)
		<u>6,417</u>	<u>2,097,546</u>	<u>27,082</u>	<u>2,133,902</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share:					
Basic	8	<u>1.38</u>	359.07	<u>4.83</u>	<u>366.24</u>
Diluted	8	<u>1.38</u>	358.92	<u>4.83</u>	<u>366.00</u>



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

*For the three months and six months ended 30 June 2022*

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Profit for the period	<b>6,417</b>	2,097,546	<b>27,082</b>	2,133,902
Other comprehensive (expense)/income:				
Items that may be reclassified subsequently to profit or loss:				
– Exchange differences on translation of financial statements of overseas subsidiaries	<b>(57,638)</b>	19,094	<b>(49,811)</b>	12,032
– Share of other comprehensive income of associates	–	100	–	46
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>40,830</b>	(690,631)	<b>(291,865)</b>	(781,827)
Other comprehensive expense for the period, net of tax	<b>(16,808)</b>	(671,437)	<b>(341,676)</b>	(769,749)
Total comprehensive (expense)/income for the period	<b><u>(10,391)</u></b>	<b><u>1,426,109</u></b>	<b><u>(314,594)</u></b>	<b><u>1,364,153</u></b>
Total comprehensive (expense)/income for the period attributable to:				
Owners of the Company	<b>(7,136)</b>	1,442,850	<b>(310,998)</b>	1,389,803
Non-controlling interests	<b>(3,255)</b>	(16,741)	<b>(3,596)</b>	(25,650)
	<b><u>(10,391)</u></b>	<b><u>1,426,109</u></b>	<b><u>(314,594)</u></b>	<b><u>1,364,153</u></b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At 30 June 2022	At 31 December 2021
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	606,245	688,265
Intangible assets	9	965,676	922,525
Goodwill		3,900	3,900
Interests in associates	10	5,741	6,267
Financial assets at fair value through profit or loss		49,790	30,480
Financial assets at fair value through other comprehensive income		717,261	1,006,717
Deferred tax assets		12,387	15,424
		<u>2,361,000</u>	<u>2,673,578</u>
<b>Current assets</b>			
Inventories		262,524	331,394
Trade receivables	11	143,768	168,323
Other receivables, deposits and prepayments		96,743	162,736
Advance to associates		–	–
Tax recoverable		11,088	23,338
Cash and bank balances		368,047	277,529
		<u>882,170</u>	<u>963,320</u>
<b>Current liabilities</b>			
Trade payables	12	66,691	62,599
Other payables and accruals		636,710	684,670
Bank borrowings	13	136,414	162,540
Lease liabilities		9,227	12,639
Tax payables		670	132
		<u>849,712</u>	<u>922,580</u>
<b>Net current assets</b>		<u>32,458</u>	<u>40,740</u>
<b>Total assets less current liabilities</b>		<u><u>2,393,458</u></u>	<u><u>2,714,318</u></u>

		<b>At 30 June 2022</b>	At 31 December 2021
	<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>2,112,233</b>	2,435,136
		<hr/>	<hr/>
<b>Equity attributable to the owners of the Company</b>			
		<b>2,141,675</b>	2,464,578
Non-controlling interests		<b>(77,012)</b>	(73,416)
		<hr/>	<hr/>
<b>Total equity</b>			
		<b>2,064,663</b>	2,391,162
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Other payables and accruals		<b>40,000</b>	40,000
Bank borrowings	13	<b>84,090</b>	84,090
Lease liabilities		<b>5,532</b>	7,869
Retirement benefits		<b>114,570</b>	111,970
Deferred tax liabilities		<b>84,603</b>	79,227
		<hr/>	<hr/>
		<b>328,795</b>	323,156
		<hr/>	<hr/>
		<b>2,393,458</b>	2,714,318
		<hr/> <hr/>	<hr/> <hr/>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to the owners of the Company										Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger difference HK\$'000	Share- based compensation reserve HK\$'000	Other reserves HK\$'000	Investments revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Sub- total HK\$'000	Attributable to non- controlling interests HK\$'000	
At 1 January 2022 (audited)	29,442	720,091	9,200	55,964	65,302	(1,948,815)	22,838	3,510,556	2,464,578	(73,416)	2,391,162
Employee share option benefits	-	-	-	6,349	-	-	-	-	6,349	-	6,349
Profit/(loss) for the period	-	-	-	-	-	-	-	28,460	28,460	(1,378)	27,082
Other comprehensive expense for the period											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(49,453)	-	(49,453)	(358)	(49,811)
- Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	(290,005)	-	-	(290,005)	(1,860)	(291,865)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(290,005)	(49,453)	28,460	(310,998)	(3,596)	(314,594)
2021 final dividend paid	-	-	-	-	-	-	-	(18,254)	(18,254)	-	(18,254)
At 30 June 2022 (unaudited)	<u>29,442</u>	<u>720,091</u>	<u>9,200</u>	<u>62,313</u>	<u>65,302</u>	<u>(2,238,820)</u>	<u>(26,615)</u>	<u>3,520,762</u>	<u>2,141,675</u>	<u>(77,012)</u>	<u>2,064,663</u>
At 1 January 2021 (audited)	29,406	714,813	9,200	40,847	65,228	(254,155)	(14,843)	1,559,299	2,149,795	(34,417)	2,115,378
Employee share option benefits	-	-	-	8,498	-	-	-	-	8,498	-	8,498
Exercise of share options	36	5,278	-	(1,771)	-	-	-	-	3,543	-	3,543
Share of reserve of an associate	-	-	-	-	28	-	-	-	28	-	28
Profit/(loss) for the period	-	-	-	-	-	-	-	2,155,200	2,155,200	(21,298)	2,133,902
Other comprehensive income/(expense) for the period											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	11,974	-	11,974	58	12,032
- Share of other comprehensive income of associates	-	-	-	-	46	-	-	-	46	-	46
- Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	(777,417)	-	-	(777,417)	(4,410)	(781,827)
Total comprehensive income/(expense) for the period	-	-	-	-	46	(777,417)	11,974	2,155,200	1,389,803	(25,650)	1,364,153
2020 final dividend paid	-	-	-	-	-	-	-	(18,254)	(18,254)	-	(18,254)
At 30 June 2021 (unaudited)	<u>29,442</u>	<u>720,091</u>	<u>9,200</u>	<u>47,574</u>	<u>65,302</u>	<u>(1,031,572)</u>	<u>(2,869)</u>	<u>3,696,245</u>	<u>3,533,413</u>	<u>(60,067)</u>	<u>3,473,346</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Operating activities</b>		
Cash generated from operations	254,731	175,703
Interest paid	(2,513)	(1,727)
Income tax paid	–	(28,011)
	<u>252,218</u>	<u>145,965</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(5,937)	(22,560)
Payment for construction in progress	(1,161)	(3,355)
Additions to development cost and license fees	(89,927)	(227,590)
Decrease in time deposits with initial terms of over three months	–	39,633
Other cash flows arising from investing activities	(19,450)	(11,911)
	<u>(116,475)</u>	<u>(225,783)</u>
<b>Financing activities</b>		
Dividends paid	(18,254)	(18,254)
Other cash flows arising from financing activities	(32,295)	12,378
	<u>(50,549)</u>	<u>(5,876)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>85,194</b>	<b>(85,694)</b>
Cash and cash equivalents at 1 January	277,529	375,199
Effect of foreign exchange rate changes	5,324	5,342
	<u>368,047</u>	<u>294,847</u>
<b>Cash and cash equivalents at 30 June</b>	<b>368,047</b>	<b>294,847</b>
<b>Analysis of cash and cash equivalents:</b>		
Cash and bank balances	368,047	282,447
Time deposits	–	12,400
	<u>368,047</u>	<u>294,847</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 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 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## 2. PRINCIPAL 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 2021.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2021 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 2022 for the preparation of the Group’s unaudited condensed consolidated financial statements. HKFRS comprise Hong Kong Financial Reporting Standards; HKASs; and HK (IFRIC) Interpretations, HK Interpretations and HK (SIC) Interpretations.

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023, earlier application is permitted

<sup>2</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 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	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Segment revenue	<b>252,087</b>	249,635	<b>397,079</b>	334,417	<b>649,166</b>	584,052
Segment operating results	<b>85,948</b>	114,202	<b>105,795</b>	70,236	<b>191,743</b>	184,438
Research and development expenses	<b>(30,915)</b>	(28,653)	<b>(85,675)</b>	(84,246)	<b>(116,590)</b>	(112,899)
Provision for impairment of intangible assets	-	(43,307)	-	(186,629)	-	(229,936)
Write-off of intangible assets	-	(355)	-	-	-	(355)
Segment results	<b>55,033</b>	41,887	<b>20,120</b>	(200,639)	<b>75,153</b>	(158,752)
Unallocated income					<b>8,033</b>	2,331,338
Unallocated expenses					<b>(27,366)</b>	(29,473)
Profit from operations					<b>55,820</b>	2,143,113
Finance costs					<b>(3,499)</b>	(2,523)
Profit before share of results of associates					<b>52,321</b>	2,140,590
Share of results of associates					<b>(526)</b>	(3,311)
Profit before taxation					<b>51,795</b>	2,137,279
Taxation					<b>(24,713)</b>	(3,377)
Profit for the period					<b>27,082</b>	2,133,902

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 2021: 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 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Segment assets	789,093	884,279	1,377,165	1,509,248	2,166,258	2,393,527
Unallocated assets					1,076,912	1,243,371
Total assets					<u>3,243,170</u>	<u>3,636,898</u>
Segment liabilities	206,017	233,565	552,143	574,211	758,160	807,776
Unallocated liabilities					420,347	437,960
Total liabilities					<u>1,178,507</u>	<u>1,245,736</u>

## Geographical information

During the six months ended 30 June 2022 and 2021, 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 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Total assets	1,910,393	2,002,754	1,332,777	1,634,144	3,243,170	3,636,898
Total liabilities	489,748	532,981	688,759	712,755	1,178,507	1,245,736

#### 4. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interest income on:				
Bank deposits	533	555	1,183	1,392
Financial assets at fair value through profit or loss	–	83	–	83
Advance to associates	–	828	–	1,579
Total interest income	533	1,466	1,183	3,054
Development and government grants	2,658	5,834	17,094	10,615
Rental and utilities income	4,138	2,105	5,997	4,920
Research and development service income	12,890	23,333	19,220	45,004
Sundry income	862	619	2,208	1,345
	<b>21,081</b>	<b>33,357</b>	<b>45,702</b>	<b>64,938</b>

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/(crediting) the following items:

	For the three months ended 30 June		For the six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Depreciation of property, plant and equipment (including right-of-use assets)	28,374	29,496	60,606	58,225
Amortisation of intangible assets	9,382	7,362	17,930	12,537
Total depreciation and amortisation	<b>37,756</b>	<b>36,858</b>	<b>78,536</b>	<b>70,762</b>
Gain on deemed disposal of interest in an associate	–	(2,321,626)	–	(2,321,626)
Provision for impairment on intangible assets	–	229,936	–	229,936
Write-off of intangible assets	–	355	–	355
Interest expenses on borrowings	1,284	827	2,513	1,722
Interest expenses on lease liabilities	100	171	226	327
Share-based payments	3,298	4,965	6,349	8,498
– Directors	2,342	3,113	4,441	5,005
– Employees	956	1,852	1,908	3,493

## 6. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current tax				
Hong Kong Profits Tax	5,425	7,842	12,436	15,202
PRC Enterprise Income Tax	(1,373)	(912)	362	–
	<u>4,052</u>	<u>6,930</u>	<u>12,798</u>	<u>15,202</u>
Over provision in prior years				
PRC Enterprise Income Tax	–	(530)	–	(530)
	<u>–</u>	<u>(530)</u>	<u>–</u>	<u>(530)</u>
Deferred tax				
Origination and reversal of temporary differences	7,815	(10,498)	11,915	(11,295)
	<u>7,815</u>	<u>(10,498)</u>	<u>11,915</u>	<u>(11,295)</u>
	<u><b>11,867</b></u>	<u><b>(4,098)</b></u>	<u><b>24,713</b></u>	<u><b>3,377</b></u>

Hong Kong Profits Tax for the three and six months ended 30 June 2022 is calculated at 8.25% (three and six months ended 30 June 2021: 8.25%) on the first HK\$2 million of the estimated assessable profits and at 16.5% (three and six months ended 30 June 2021: 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

	For the three months ended 30 June		For the six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interim dividend declared – HK\$0.010 (2021: HK\$0.030) per ordinary share based on issued share capital at the end of the reporting period	<u>5,888</u>	<u>17,665</u>	<u>5,888</u>	<u>17,665</u>

Interim dividend will be payable on 27 September 2022 to shareholders registered in the Company's register of members as at the close of business on 15 September 2022. 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. 2021 final dividend of HK\$0.031 per share, totalling HK\$18,254,000 was paid on 15 June 2022.

## 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:

	For the three months ended 30 June		For the six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Earnings:				
Net profit attributable to the owners of the Company for the purpose of basic and diluted earnings per share	<b>8,153</b>	2,114,152	<b>28,460</b>	2,155,200
	<b>588,835</b>	588,789	<b>588,835</b>	588,459
Effect of dilutive potential ordinary shares:				
Options	–	237	–	394
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>588,835</b>	589,026	<b>588,835</b>	588,853

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

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

During the six months ended 30 June 2022, the Group entered into a number of lease agreements and therefore recognised the additions to right-of-use assets of approximately HK\$2 million (six months ended 30 June 2021: approximately HK\$11 million).

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

During the six months ended 30 June 2022, additions to owned property, plant and equipment amount to approximately HK\$7 million (six months ended 30 June 2021: approximately HK\$26 million).

(c) **Intangible assets**

During the six months ended 30 June 2022, additions to intangible assets amount to approximately HK\$90 million (six months ended 30 June 2021: approximately HK\$228 million), which consist of both license fees and development cost.

During the six months ended 30 June 2022, there is no provision for impairment on, or write-off of, intangible assets recognised in profit or loss.

During the six months ended 30 June 2021, the Group has concluded that a total of 14 drug development programs in several therapeutics areas would be postponed or terminated about considering the future revenue potentials thereof which may make them become financially not viable; and 1 launched oral antihypertensive product to be impaired as a result of the recent volume-based procurement program which pose higher pressure on price setting for this product. A total of approximately HK\$230 million impairment provision for, and write-off of, intangible assets for the above mentioned programs and product were recognised in profit or loss.

**10. INTERESTS IN ASSOCIATES**

Details of the Group's interests in associates are as follows:

	<b>30 June 2022 HK\$'000 (unaudited)</b>	31 December 2021 HK\$'000 (audited)
At beginning of the period/year	<b>6,267</b>	6,056
Additions	–	3,632
Share of post-acquisition loss	<b>(526)</b>	(3,495)
Share of exchange reserve	–	46
Share of option reserve	–	28
	<hr/>	<hr/>
At end of the period/year	<b>5,741</b>	<b>6,267</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 2022	31 December 2021	30 June 2022	31 December 2021	
Powder Pharmaceuticals Incorporated	British Virgin Islands/ Hong Kong	33.92%	33.92%	33.92%	33.92%	Development, manufacturing and sale of pharmaceutical products
RIT Biotech (Holding) Company Limited ("RIT")	British Virgin Islands/ Hong Kong	24.08%*	24.08%	24.08%*	24.08%	Operating a central pharmacy for compounding radiopharmaceuticals
ZERO Biotech Company Limited ("ZERO")	Hong Kong/Hong Kong	36.32%	36.32%	36.32%	36.32%	Investment holding

\* On 9 June 2022, ZERO and certain shareholders of RIT (including the Company) executed a share swap transaction, for which ZERO issued total 2,896 new shares in exchange for total 2,896 shares in RIT held by these RIT's shareholders (representing approximately 66.3% of the total issued shares of RIT). Upon completion, RIT became a non-wholly owned subsidiary of ZERO while the Company's interests held in RIT and ZERO has no effective changes.

### Deemed disposal of an associate

During the six months ended 30 June 2021, on 29 April 2021, Zhaoke Ophthalmology Limited (“ZKO”) was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “ZKO Listing”) by issuing new shares. Before the ZKO Listing, the Company, through a wholly-owned subsidiary, indirectly controlled approximately 33.58% of the total issued share capital of ZKO. Upon the completion of the ZKO listing, the Company, through a wholly-owned subsidiary, indirectly controlled approximately 25.82% of the total issued share capital of ZKO. Since the Group will not exercise significant influence over the operation of ZKO, ZKO ceased to be an associate of the Company and is accounted for as financial assets at fair value through other comprehensive income thereafter. This transaction has resulted in the Group recognising a gain of HK\$2.3 billion in profit or loss grouped under the line “other gains and losses, net”, calculated as follows:

	<i>HK\$’000</i>
Fair value of investment retained	2,321,626
Less: Carrying amount of the investment on the date of loss of significant influence of ZKO	—
	<hr/>
Gain recognised in profit or loss	<u>2,321,626</u>

### 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 2022 HK\$’000 (unaudited)</b>	31 December 2021 HK\$’000 (audited)
0–30 days	<b>64,172</b>	83,225
31–120 days	<b>76,536</b>	79,836
121–180 days	<b>2,167</b>	5,022
181–365 days	<b>882</b>	225
Over 365 days and under 3 years	<b>11</b>	15
	<hr/>	<hr/>
	<b><u>143,768</u></b>	<b><u>168,323</u></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 2022 HK\$'000 (unaudited)</b>	31 December 2021 HK\$'000 (audited)
0–90 days	65,011	56,884
91–180 days	999	–
181–365 days	159	5,403
Over 365 days	522	312
	<u>66,691</u>	<u>62,599</u>

## 13. BANK BORROWINGS

	<b>30 June 2022 HK\$'000 (unaudited)</b>	31 December 2021 HK\$'000 (audited)
Secured bank borrowings classified as current liabilities (Note a)	125,172	150,280
Unsecured bank borrowings classified as current liabilities	11,242	12,260
	<u>136,414</u>	<u>162,540</u>
Secured bank borrowings classified as non-current liabilities	84,090	84,090
	<u>220,504</u>	<u>246,630</u>
Carrying amount of the bank borrowings are repayable (Note b):		
Within one year	136,414	142,540
More than one year but not exceeding two years	6,727	26,727
More than two years but not exceeding five years	77,363	77,363
	<u>220,504</u>	<u>246,630</u>

Notes:

- a. As the bank borrowings include a clause that gives the lenders the unconditional right to call the borrowings at any time (“**Repayment on Demand Clause**”), according to Hong Kong Interpretation 5 which requires the classification of whole borrowings containing the Repayment on Demand Clause as current liabilities, the bank borrowings were classified as current liabilities.
- b. The table is based on the agreed repayment schedule provided by banks.



Bank borrowings carry floating interest rates which is adjusted with reference to Hong Kong Interbank Offered Rate, Prime Rate or Loan Prime Rate at both 30 June 2022 and 31 December 2021. As at 30 June 2022, the effective interest rates of Group's bank borrowings ranged from 1.69% to 3.85% (31 December 2021: 1.39% to 3.85%) per annum.

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

	<b>30 June 2022 HK\$'000 (unaudited)</b>	31 December 2021 HK\$'000 (audited)
Hong Kong Dollars	186,798	209,722
United States Dollars	22,464	24,648
Renminbi	11,242	12,260
	<u>220,504</u>	<u>246,630</u>

#### 14. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2022 (unaudited)	31 December 2021 (audited)	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Authorised:				
Ordinary shares of HK\$0.05 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:				
At beginning of the period/year	588,835,343	588,125,343	29,442	29,406
Exercise of share options	<u>–</u>	<u>710,000</u>	<u>–</u>	<u>36</u>
At end of the period/year	<u>588,835,343</u>	<u>588,835,343</u>	<u>29,442</u>	<u>29,442</u>

#### 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) Transaction with associates

	<b>For the six months ended 30 June 2022 HK\$'000 (unaudited)</b>	2021 HK\$'000 (unaudited)
Interest income	–	1,579
Rental and utilities income	–	3,960
Research and development service income	–	21,780
Purchase of consumable	<u>–</u>	<u>2,728</u>

(b) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the period were as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Short-term employee benefits	<b>8,541</b>	6,629
Share-based payments	<b>4,441</b>	5,005
Retirement and other post-employment benefits	<b>2,609</b>	12,009
– Defined contribution plan	<b>9</b>	9
– Retirement benefits	<b>2,600</b>	12,000
	<b>15,591</b>	23,643

(c) **Donation to Lee's Pharmaceutical – Kanya Lee Scholarship Limited (“Kanya Lee Scholarship”)**

During the six months ended 30 June 2022, a total of HK\$1,900,000 (six months ended 30 June 2021: HK\$600,000) 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 2022</b>	<b>31 December 2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Capital commitments contracted for in respect of:</b>		
Financial assets at fair value through other comprehensive income	<b>36,730</b>	39,119
Intangible assets – license fee and development cost	<b>116,176</b>	125,162
Property, plant and equipment	<b>79,456</b>	85,567
	<b>232,362</b>	249,848

**17. PLEDGE OF ASSETS**

At both 30 June 2022 and 31 December 2021, the Group has no pledge of assets.

## **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 2022.

## **INTERIM DIVIDEND**

The Board recommended an interim dividend of HK\$0.010 (2021: HK\$0.030) per share to shareholders registered in the Company's register of members as at the close of business on Thursday, 15 September 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from Tuesday, 13 September 2022 to Thursday, 15 September 2022 (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, 9 September 2022. Interim dividend will be paid on Tuesday, 27 September 2022 to shareholders registered in the Company's register of members as at the close of business on Thursday, 15 September 2022.

## **CORPORATE GOVERNANCE PRACTICES**

A new Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules came into effect on 1 January 2022. A nomination committee of the Company comprising Ms. Lee Siu Fong as the chairman, Dr. Chan Yau Ching, Bob and Dr. Tsim Wah Keung, Karl as the members has been established by the Board with written terms of reference with effect from 2 January 2022, in which majority of the committee members are independent non-executive Directors and is chaired by the chairman of the Board. Since then, the Company has complied with code provision B.3.1 of the CG Code.

Pursuant to code provision B.3.4 of the CG Code, the Board should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the general meeting when the Board proposes a resolution to elect an individual as an independent non-executive Directors at the relevant general meeting. The Company had not set out the explanatory statement in the circular published on 21 April 2022 relating to the re-election of independent non-executive Director. Mr. Lam Yat Cheong (“**Mr. Lam**”) has given confirmation of independence to the Company pursuant to rule 3.13 of the Listing Rules. The nomination committee assessed and reviewed the independence of Mr. Lam. In view of the diversified knowledge, experience and skills of Mr. Lam in finance, operation, financial accounting, corporate governance and compliance, the nomination committee believes that his expertise will enable him to fulfil his roles as independent non-executive Director effectively and can provide useful and constructive opinion and make contribution to the Board and future development of the Company. Based on the background of Mr. Lam including but not limited

to gender, cultural and educational background, ethnicity, professional experience, skills and knowledge, it is believed that Mr. Lam can contribute to diversity of the Board. The nomination committee and the Board are of the view that Mr. Lam has satisfied all the criteria for independence set out in rule 3.13 of the Listing Rules.

Pursuant to code provision B.2.3 of the CG Code, if an independent non-executive director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should state why the Board (or the nomination committee) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the board (or the nomination committee) in arriving at such determination. Mr. Lam has served the board for more than nine years and the Company had not set out in the circular published on 21 April 2022 relating to the re-election of Mr. Lam the reasons why the Board (or the nomination committee) believes that the director is still independent and should be re-elected independent non-executive Director.

Mr. Lam is an independent non-executive Director serving the Company since 2004. The Board believes that Mr. Lam is considered as independent and continues to be independent because he has the required elements, character, integrity and experience to continue fulfilling the role of an independent non-executive Director by taking into account the factors set out in rule 3.13 of the Listing Rules. Notwithstanding that Mr. Lam has served on the Board for more than nine years, the nomination committee and the Board are of the view that this does not and would not affect the exercise of his independent judgement as he has been providing objective views and independent opinions to the Company over the years. Mr. Lam has not engaged in the daily or executive management of the Group nor in any relationships or circumstances which would interfere with the exercise of his independent judgement. In addition, the Company has received from Mr. Lam a confirmation of independence pursuant to rule 3.13 of the Listing Rules. Taking into consideration of Mr. Lam's independent scope of work and valuable contributions given to the Company in the past years, the Board considers Mr. Lam is able to provide independent, balanced and objective views to the Company's affairs and continue to independently fulfill his role as an independent non-executive Director despite the fact that he has served the Company for more than nine years. The nomination committee also considers that Mr. Lam could continue to contribute to the diversity of the Board with his past experience as independent non-executive director in other listed companies in Hong Kong and his professional experience in the auditing and accounting profession. Accordingly, the Board and the nomination committee recommended him for re-election as independent non-executive Director at the annual general meeting. A separate resolution has been proposed for Mr. Lam's re-election and he was re-elected as an independent non-executive Director in the annual general meeting held on 19 May 2022.

Pursuant to code provision B.2.4 of the CG Code, the Company should disclose the length of tenure of each existing independent non-executive Directors on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting where all of the independent non-executive Directors have served more than nine years on the Board. The Company has not set out such information in the circular published on 21 April 2022. The length of tenure of Dr. Chan Yau Ching, Bob, Mr. Lam and Dr. Tsim Wah Keung, Karl (each being an existing independent non-executive Director and all of them have been serving more than 9 years on the Board) as at the date of the circular was more than 20 years, 18 years and 18 years respectively.

Pursuant to code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Our non-executive Directors and independent non-executive Directors had not attended the annual general meeting held on 19 May 2022 as they had other important prior engagement at the same time.

Save as disclosed above, the Company has complied with the CG Code to the Listing Rules throughout the six months ended 30 June 2022.

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 2022 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 (<http://www.hkexnews.hk>) and the Company (<http://www.leespharm.com>) in due course.

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

Hong Kong, 26 August 2022

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