

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

<b>FINANCIAL HIGHLIGHT</b>			
	<b>For the year ended</b>		<b>Change</b>
	<b>31 December</b>		
	<b>2023</b>	<b>2022</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
<b>Revenue</b>	<b>1,053,034</b>	1,233,148	-14.6%
<b>Gross profit</b>	<b>551,311</b>	770,755	-28.5%
<b>Profit attributable to the owners of the Company</b>	<b>16,698</b>	51,284	-67.4%
	<i>HK cents</i>	<i>HK cents</i>	
<b>Earnings per share</b>			
<b>Basic</b>	<b>2.84</b>	8.71	-67.4%
<b>Diluted</b>	<b>2.84</b>	8.71	-67.4%

The Board recommends the payment of final dividend of HK1.0 cent (2022: HK1.0 cent) per ordinary share for the year ended 31 December 2023.

\* For identification purpose only

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Lee’s Pharmaceutical Holdings Limited (the “**Company**”) is pleased to present the results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2023 and the comparative figures as follows.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Revenue	2	<b>1,053,034</b>	1,233,148
Cost of sales		<b>(501,723)</b>	(462,393)
Gross profit		<b>551,311</b>	770,755
Other income	3	<b>77,257</b>	73,734
Other gains and losses, net	4	<b>5,977</b>	(54,427)
Selling and distribution expenses		<b>(304,296)</b>	(346,467)
Administrative expenses		<b>(188,612)</b>	(198,413)
(Provision for)/Reversal of expected credit losses on financial assets, net		<b>(1,280)</b>	263
Research and development expenses		<b>(96,804)</b>	(168,885)
Profit from operations		<b>43,553</b>	76,560
Finance costs		<b>(11,898)</b>	(7,595)
Share of results of associates		<b>(870)</b>	(1,104)
Profit before taxation		<b>30,785</b>	67,861
Taxation	5	<b>(10,836)</b>	(22,026)
Profit for the year		<b>19,949</b>	45,835
Attributable to:			
Owners of the Company		<b>16,698</b>	51,284
Non-controlling interests		<b>3,251</b>	(5,449)
		<b>19,949</b>	45,835
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7		
Basic		<b>2.84</b>	8.71
Diluted		<b>2.84</b>	8.71

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

*For the year ended 31 December 2023*

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<b>19,949</b>	45,835
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>(32,660)</b>	(95,690)
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>140,293</b>	(486,750)
	<hr/>	<hr/>
Other comprehensive income/(expense) for the year, net of tax	<b>107,633</b>	(582,440)
	<hr/>	<hr/>
Total comprehensive income/(expense) for the year	<b>127,582</b>	(536,605)
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income/(expense) for the year attributable to:		
Owners of the Company	<b>124,663</b>	(528,438)
Non-controlling interests	<b>2,919</b>	(8,167)
	<hr/>	<hr/>
	<b>127,582</b>	(536,605)
	<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>443,369</b>	540,665
Intangible assets		<b>1,076,655</b>	1,023,494
Goodwill		<b>4,366</b>	3,900
Interests in associates		<b>5,045</b>	5,163
Financial assets at fair value through profit or loss		<b>11,564</b>	13,136
Financial assets at fair value through other comprehensive income		<b>682,842</b>	536,452
Deferred tax assets		<b>10,199</b>	7,584
		<b>2,234,040</b>	2,130,394
<b>Current assets</b>			
Inventories		<b>298,106</b>	249,222
Trade receivables	8	<b>84,590</b>	111,278
Other receivables, deposits and prepayments		<b>100,170</b>	101,833
Advance to associates		–	–
Tax recoverable		<b>569</b>	–
Pledged deposits		<b>2,192</b>	–
Cash and bank balances		<b>171,000</b>	189,301
		<b>656,627</b>	651,634
<b>Current liabilities</b>			
Trade payables	9	<b>74,147</b>	101,301
Other payables and accruals		<b>439,021</b>	462,182
Bank borrowings and overdrafts		<b>122,119</b>	76,727
Lease liabilities		<b>7,452</b>	6,831
Tax payables		<b>6,079</b>	3,063
		<b>648,818</b>	650,104
<b>Net current assets</b>		<b>7,809</b>	1,530
<b>Total assets less current liabilities</b>		<b>2,241,849</b>	2,131,924

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	<b>29,442</b>	29,442
Reserves	<b>2,009,513</b>	1,894,665
	<hr/>	<hr/>
<b>Equity attributable to the owners of the Company</b>	<b>2,038,955</b>	1,924,107
Non-controlling interests	<b>(78,357)</b>	(81,583)
	<hr/>	<hr/>
<b>Total equity</b>	<b>1,960,598</b>	1,842,524
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Other payables and accruals	<b>23,152</b>	39,337
Bank borrowings and overdrafts	<b>70,636</b>	77,363
Lease liabilities	<b>3,933</b>	2,573
Retirement benefits	<b>110,100</b>	96,230
Deferred tax liabilities	<b>73,430</b>	73,897
	<hr/>	<hr/>
	<b>281,251</b>	289,400
	<hr/>	<hr/>
	<b>2,241,849</b>	2,131,924
	<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2023*

	Attributable to the owners of the Company									Attributable to non- controlling interests	Total
	Share capital	Share premium	Merger difference	Share- based compensation reserve	Other reserves	Investments revaluation reserve	Exchange reserve	Retained profits	Sub-total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
At 1 January 2023	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	-	-	-	793	-	-	-	-	793	-	793
Share options lapsed	-	-	-	(10,447)	-	-	-	10,447	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	313	313
Acquisition of additional interest in a subsidiary	-	-	-	-	(9)	-	-	-	(9)	(6)	(15)
Profit for the year	-	-	-	-	-	-	-	16,698	16,698	3,251	19,949
Other comprehensive (expense)/income for the year											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(32,571)	-	(32,571)	(89)	(32,660)
- Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	140,536	-	-	140,536	(243)	140,293
Total comprehensive income/(expense) for the year	-	-	-	-	-	140,536	(32,571)	16,698	124,663	2,919	127,582
2022 final dividend paid	-	-	-	-	-	-	-	(5,888)	(5,888)	-	(5,888)
2023 interim dividend paid	-	-	-	-	-	-	-	(4,711)	(4,711)	-	(4,711)
At 31 December 2023	<u>29,442</u>	<u>720,091</u>	<u>9,200</u>	<u>52,138</u>	<u>65,293</u>	<u>(2,292,778)</u>	<u>(104,956)</u>	<u>3,560,525</u>	<u>2,038,955</u>	<u>(78,357)</u>	<u>1,960,598</u>
At 1 January 2022	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	-	-	-	12,109	-	-	-	-	12,109	-	12,109
Share options lapsed	-	-	-	(6,281)	-	-	-	6,281	-	-	-
Profit/(Loss) for the year	-	-	-	-	-	-	-	51,284	51,284	(5,449)	45,835
Other comprehensive expense for the year											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(95,223)	-	(95,223)	(467)	(95,690)
- Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	(484,499)	-	-	(484,499)	(2,251)	(486,750)
Total comprehensive (expense)/income for the year	-	-	-	-	-	(484,499)	(95,223)	51,284	(528,438)	(8,167)	(536,605)
2021 final dividend paid	-	-	-	-	-	-	-	(18,254)	(18,254)	-	(18,254)
2022 interim dividend paid	-	-	-	-	-	-	-	(5,888)	(5,888)	-	(5,888)
At 31 December 2022	<u>29,442</u>	<u>720,091</u>	<u>9,200</u>	<u>61,792</u>	<u>65,302</u>	<u>(2,433,314)</u>	<u>(72,385)</u>	<u>3,543,979</u>	<u>1,924,107</u>	<u>(81,583)</u>	<u>1,842,524</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

### 1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time which are mandatorily effective for the Group’s annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards (“HKASs”); and Hong Kong (IFRIC) Interpretations, Hong Kong Interpretations and Hong Kong (SIC) Interpretations (collectively referred to as “Interpretations”).

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax reform – Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or disclosures set out in these consolidated financial statements.

#### New and amendments to HKFRSs in issue but not yet effective

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

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	Non-current liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <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>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> Effective date to be determined

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 2. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold by the Group to outside customers during the year which is recognised at a point in time.

Information reported to the Chairman of the Company, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focuses on the types of goods delivered.

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

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

### Segment revenue and results

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

	Proprietary and generic products		Licensed-in products		Consolidated	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<b>585,758</b>	499,811	<b>467,276</b>	733,337	<b>1,053,034</b>	1,233,148
Segment operating results	<b>137,713</b>	167,329	<b>55,575</b>	91,319	<b>193,288</b>	258,648
Research and development expenses	<b>(39,725)</b>	(65,174)	<b>(57,079)</b>	(103,711)	<b>(96,804)</b>	(168,885)
Impairment of intangible assets	–	–	<b>(1,335)</b>	(2,022)	<b>(1,335)</b>	(2,022)
Write-off of intangible assets	–	–	–	–	–	–
Segment results	<b>97,988</b>	102,155	<b>(2,839)</b>	(14,414)	<b>95,149</b>	87,741
Unallocated income					<b>19,424</b>	17,398
Unallocated expenses					<b>(71,020)</b>	(28,579)
Profit from operations					<b>43,553</b>	76,560
Finance costs					<b>(11,898)</b>	(7,595)
Profit before share of results of associates					<b>31,655</b>	68,965
Share of results of associates					<b>(870)</b>	(1,104)
Profit before taxation					<b>30,785</b>	67,861
Taxation					<b>(10,836)</b>	(22,026)
Profit for the year					<b>19,949</b>	45,835

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2022: Nil).



The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned by/loss from each segment without allocation of central administration costs including directors' emoluments, certain transactions with associates, gain on deemed disposal of associates, fair value changes of certain financial instruments at fair value through profit or loss, impairment provision on property, plant and equipment and right-of-use assets, foreign exchange gain/loss, interest income, finance costs, share of results of associates, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

### Segment assets and liabilities

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

	Proprietary and generic products		Licensed-in products		Consolidated	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<b>763,594</b>	726,742	<b>1,283,310</b>	1,311,699	<b>2,046,904</b>	2,038,441
Unallocated assets					<b>843,763</b>	743,587
Total assets					<b><u>2,890,667</u></b>	<b><u>2,782,028</u></b>
Segment liabilities	<b>234,569</b>	176,617	<b>346,401</b>	398,145	<b>580,970</b>	574,762
Unallocated liabilities					<b>349,099</b>	364,742
Total liabilities					<b><u>930,069</u></b>	<b><u>939,504</u></b>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, deferred tax assets, certain right-of-use assets and financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, assets related to central administration and unallocated cash-generating units, balances with associates, tax recoverable and cash and bank balances; and
- all liabilities are allocated to operating segments other than bank borrowings and overdrafts, liabilities related to central administration and unallocated cash-generating units, tax payables, deferred tax liabilities and retirement benefits.

**Other segment information (included in the measure of segment profit or loss, segment assets and liabilities or regularly provided to the chief operating decision maker)**

	Proprietary and generic products		Licensed-in products		Consolidated	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment (including right-of-use assets)	49,887	56,941	43,307	56,701	93,194	113,642
Amortisation of intangible assets	41,152	26,144	15,155	12,713	56,307	38,857
Additions to non-current assets (Property, plant and equipment, and intangible assets) during the year	94,067	61,012	78,615	155,238	172,682	216,250
Impairment of intangible assets	-	-	1,335	2,022	1,335	2,022
Write-off of intangible assets	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Geographical information**

During the years ended 31 December 2023 and 2022, more than 90% of the Group's revenue was derived from activities conducted in the People's Republic of China (the "PRC"), therefore no geographical information on revenue is presented.

The following is an analysis of the Group's assets and liabilities by geographical markets:

	The PRC		Hong Kong and others		Total	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,656,662	1,696,915	1,234,005	1,085,113	2,890,667	2,782,028
Total liabilities	458,509	406,734	471,560	532,770	930,069	939,504
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 3. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income on bank deposits	1,534	2,393
Government and development grants	32,322	19,276
Licensing income	1,266	3,922
Rental and utilities income	15,211	14,376
Research and development service income	17,812	29,481
Sundry income	9,112	4,286
	<u>77,257</u>	<u>73,734</u>

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

During the year 2022, the Group recognised government grants of approximately HK\$1,152,000 from Employment Support Scheme provided by Hong Kong government in respect of COVID-19-related subsidies.

### 4. OTHER GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fair value loss in respect of financial assets at fair value through profit or loss, net	(1,572)	(46,360)
Gain on deemed disposal of interest in associates	147	–
Gain on disposal of		
– Property, plant and equipment, net	10	242
– Intangible assets	41,623	–
Impairment loss recognised in respect of		
– Property, plant and equipment	(22,658)	–
– Right-of-use assets	(8,971)	–
– Intangible assets	(1,335)	(2,022)
Loss on termination of lease agreement	(40)	–
Write-off of		
– Property, plant and equipment	(350)	(662)
– Intangible assets	–	–
Foreign exchange loss, net	(877)	(5,625)
	<u>5,977</u>	<u>(54,427)</u>

## 5. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	6,597	13,443
PRC Enterprise Income Tax	5,416	–
	<u>12,013</u>	<u>13,443</u>
(Over)/Under provision in prior years		
Hong Kong Profits Tax	(20)	(58)
PRC Enterprise Income Tax	29	–
	<u>9</u>	<u>(58)</u>
Deferred tax		
(Reversal)/Origination of temporary differences	(1,186)	8,641
	<u>10,836</u>	<u>22,026</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%. Profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rates of the PRC subsidiaries range from 15% to 25% (2022: 15% to 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 6. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2023 interim dividend HK\$0.008 (2022: 2022 interim dividend HK\$0.010) per share	4,711	5,888
2022 final dividend HK\$0.010 (2022: 2021 final dividend HK\$0.031) per share	5,888	18,254
	<u>10,599</u>	<u>24,142</u>

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2023 of HK1.0 cent per share (2022: final dividend in respect of the year ended 31 December 2022 of HK1.0 cent per share), in an aggregate amount of HK\$5,888,000 (2022: HK\$5,888,000) has been proposed by the directors and is subject to approval by shareholders at the forthcoming annual general meeting, and is not included as a dividend payable in the consolidated statement of financial position as at 31 December 2023.

## 7. EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings:		
Net profit attributable to the owners of the Company for the purpose of basic and diluted earnings per share	<u>16,698</u>	<u>51,284</u>
	2023 <i>Share(s) '000</i>	2022 <i>Share(s) '000</i>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	588,835	588,835
Effect of dilutive potential ordinary shares:		
Options	<u>1</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>588,836</u>	<u>588,835</u>

## 8. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	86,511	111,984
Less: Allowances for expected credit losses (“ECL”)	<u>(1,921)</u>	<u>(706)</u>
	<u>84,590</u>	<u>111,278</u>

The credit period on sales of goods is 30–120 days. The Group has recognised an allowance for ECL of 100% against all receivables over 365 days because historical experience has been that receivables that are past due beyond 365 days are not recoverable. Allowances for ECL are recognised against trade receivables over 180 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty’s current financial position.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	41,315	55,268
31–120 days	43,053	39,643
121–180 days	132	9,057
181–365 days	82	7,282
Over 365 days and under 3 years	8	28
	<u>84,590</u>	<u>111,278</u>

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for ECL because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

#### **Aging analysis of receivables that are past due but no allowance for ECL provided**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Overdue by:		
1–180 days	33,176	46,741
181–365 days	229	281
	<u>33,405</u>	<u>47,022</u>

#### **Movement in allowance for ECL**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance at beginning of the year	706	1,046
Exchange rate adjustments	(23)	(77)
Write-off	(42)	–
Charge/(Credit) to profit or loss for the year	<u>1,280</u>	<u>(263)</u>
Balance at end of the year	<u>1,921</u>	<u>706</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

### Aging analysis of receivables that are past due and allowance for ECL provided

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Overdue by:		
181–365 days	229	281
Over 365 days and under 3 years	<u>1,692</u>	<u>425</u>
	<u><b>1,921</b></u>	<u><b>706</b></u>

### 9. TRADE PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–90 days	63,209	75,204
91–180 days	4,913	–
181–365 days	5,556	26,037
Over 365 days	<u>469</u>	<u>60</u>
	<u><b>74,147</b></u>	<u><b>101,301</b></u>

The average credit period on purchases of goods is 90 days. The Group has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Revenue and Profit

The Group recorded revenue of HK\$1,053,034,000 for the year ended 31 December 2023 (the “**Reporting Year**”), representing a decrease of 14.6% from the previous year’s revenue of HK\$1,233,148,000. Sales of licensed-in products was HK\$467,276,000 (2022: HK\$733,337,000) and accounted for 44.4% (2022: 59.5%) of the Group’s revenue while sales of proprietary and generic products was HK\$585,758,000 (2022: HK\$499,811,000) and contributed 55.6% (2022: 40.5%) of the Group’s revenue.

During the year under review, the Group achieved notable milestones with licensed-in products. Bredinin™, one of its licensed-in products, surpassed HK\$100 million in sales, reflecting a remarkable growth of 18.9%. Additionally, Ferplex® achieved sales exceeding HK\$200 million, experiencing a growth rate of 11.3%. Furthermore, the inclusion of Treprostinil Injection (芮旋爾®), Trittico®, and Teglutik® in the National Reimbursement Drug List (“**NRDL**”) significantly improved their sales performance during the year. Treprostinil Injection (芮旋爾®) achieved sales of HK\$113.7 million, representing a growth of 13.9%. Trittico® demonstrated exceptional growth with sales of HK\$50.8 million, experiencing an impressive increase of 219.3%. Although Teglutik® recorded smaller sales amounts, it experienced exponential growth, with sales of HK\$8.5 million, reflecting an astonishing growth rate of over 27 times. On the other hand, the Group’s in-house product, Yallaferon, achieved sales of HK\$225.8 million during the year under review, representing a decline of 9.0%.

The Group made a strategic move into sales under the Volume-Based Procurement (“**VBP**”) program starting in 2022. To date, the Group actively markets two products, Fondaparinux Sodium Injection (立暢青®) and Nadroparin Calcium Injection (立騰菁®), through this program. During the year under review, these products achieved impressive aggregate sales of HK\$22.1 million and HK\$82.7 million, respectively, under the VBP program. These sales accounted for approximately 10.0% of the Group’s total revenue, highlighting the growing significance of its participation in the VBP program.

Despite the sales growth achieved with numerous products, they can only partly compensate for the loss of revenue incurred due to the expiration of product license and the declining performance of certain products.

The Group achieved a gross profit of HK\$551,311,000 (2022: HK\$770,755,000), representing a decrease of 28.5% compared to the previous year and this decline was in line with the drop in sales. The gross profit margin for the year was 52.4%, which decreased by 10.1 percentage points from 62.5% in 2022. The decrease in gross profit was primarily attributable to the increased supply price of certain imported products; and the inclusion of products under the VBP program, while contributing to sales, carried lower profit margins.



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.

The Group prioritises R&D for new drug development, recognising its importance for long-term growth. However, the Group also emphasises short-term financial stability. Balancing these priorities, the Group invests strategically in R&D while ensuring immediate financial objectives are met. During the Reporting Year, HK\$219,849,000 (2022: HK\$351,602,000) was spent in R&D activities, significantly reduced by 37.5% as compared to last year and represented 20.9% (2022: 28.5%) to the corresponding yearly revenue. Among which HK\$96,804,000 (2022: HK\$168,885,000) was recognised as expenses and HK\$123,045,000 (2022: HK\$182,717,000) was capitalised as intangible assets. In additions, HK\$7,235,000 (2022: HK\$13,650,000) license fees for development, marketing and commercialisation rights of certain licensed-in products such as Cetraxal® Plus and Teglutik® were recognised as intangible assets during the Reporting Year.

The Group’s selling and distribution expenses amounted to HK\$304,296,000 during the Reporting Year, reflecting a decrease of HK\$42,171,000 or 12.2% compared to the same period last year, where expenses were HK\$346,467,000. The selling expenses to revenue ratio for the Reporting Year slightly increased by 0.8 percentage points to 28.9%, compared to 28.1% in the same period last year and was mainly attributable to the launch of new products. The Group allocated adequate resources to strengthen distribution channels, prepare for the rollout of new and upcoming products, and undertake brand transformation for selected products.

During the Reporting Year, the Group’s administrative expenses amounted to HK\$188,612,000, indicating a decrease of HK\$9,801,000 or 4.9% compared to the same period last year, where expenses were HK\$198,413,000. The Group remained committed to operating its business in an efficient and effective manner, implementing cost-saving measures to enhance efficiency and profitability.

Within the net profit attributable to the owners of the Company in 2023, there were specific events that had an impact on the overall result. Firstly, there was a gain of HK\$41.6 million from the disposal of Eyprotor® recognised during the year, details of which have been disclosed in the announcement dated 13 November 2023. Additionally, there was a provision of HK\$31.6 million for the diminution in value of certain land use rights and related property, plant, and equipment made due to ongoing sale and purchase transactions, details of which have been disclosed in the announcement dated 22 September 2022, that had not yet been completed. Considering these specific events, along with other factors previously mentioned, the net profit attributable to the owners of the Company in 2023 was HK\$16,698,000, reflecting a decrease of 67.4% compared to the same period in 2022.

## **Manufacturing Facilities and Production Capability**

Over time, there have been considerable changes and upgrades in the Group's manufacturing and production capability.

In the Hefei site, the upgrade of the self-built production line of, and the production of the relevant validation batch of Yallaferon<sup>®</sup> have been completed, and the facility will undergo GMP compliance inspection in 2024. The production of process scale-up batches and the process validation of the production line for Treprostinil Injection (芮旋爾<sup>®</sup>) has also completed, thereby significantly increasing the production capacity. Fondaparinux Sodium Injection (立暢青<sup>®</sup>) and Nadroparin Calcium Injection (立騰菁<sup>®</sup>) have seen sales growth following the successful bids in the VBP programme and hence, the existing production lines are approaching its maximum capacity. A new pre-filled production line is being designed and constructed to further expand their production capacity and is expected to go into operation in 2024. The production validation for the Phase three clinical trial batches of oral lyophilised powder used as sensitiser in surgery for tumor has been completed. The production of the validation batches and the process validation for a supplemental application in the United States of the innovative liposomal injection for neonatal respiratory distress syndrome has completed.

In the Nansha site, the commercialisation of Azilsartan tablets (憩曇平<sup>®</sup>), an oral antihypertensive, has commenced following its marketing approval, and process scale-up and production technique enhancement have been underway. Marketing approval has been obtained for Apremilast tablets, a new oral generic drug for psoriasis, and the preparation of its commercialisation has completed. The production line for Fentanyl aerosol inhalation is undergoing process scale-up and validation batch production following the success of the Phase two clinical trial.

The Group's primary objective revolves around improving production yield while simultaneously implementing cost-saving measures. This strategic focus is driven by the necessity to adapt to the evolving market environment.

## **Drug Development**

To date, the Group has a robust pipeline consisting of over 40 projects spanning from early to late-stage development. Notably, an application for Abbreviated New Drug Application (“**ANDA**”) for Epinastine Hydrochloride tablet was submitted in the previous year 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, which includes late-stage programs such as (1) the New Drug Application (“**NDA**”) for Cetraxal® Plus for acute otitis externa (AOE) and acute otitis media with tympanostomy tubes (AOMT), which concluded its Phase III clinical trial stage in 2022, was successfully submitted to and accepted by the CDE in January 2023; (2) Intrarosa® in the treatment of vulvovaginal atrophy (VVA) is currently in Phase III clinical trial stage. To date, all data cleaning and data review meetings have been completed. The clinical database has been locked and unblinded, and the release of the data is imminent; and (3) Phase IIa clinical trial of a Fentanyl aerosol for inhalation has successfully achieved its anticipated endpoints in August 2023, and the findings will be utilised to accelerate the review and approval process for NDA.

## **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.

In December 2023, Socazolimab, an anti-PD-L1 antibody used in the treatment of recurrent or metastatic cervical cancer, successfully obtained conditional approval in China. This significant milestone demonstrates the Group’s dedication to advancing breakthrough therapies that address critical medical needs. The conditional approval underscores the potential of Socazolimab to provide new treatment options for patients facing this challenging condition. Moving forward, the Group remains steadfast in its commitment to obtaining full approval for Socazolimab in the treatment of recurrent or metastatic cervical cancer, further solidifying its position as an active player in the field of oncology.

To date, COF has successfully built a robust pipeline comprising 10 oncology assets, consisting of 6 innovative treatments and 4 generics. These assets have been developed through a combination of internal development and strategic licensing agreements. Currently, the company is actively advancing the development of several key assets, including (1) Socazolimab, which is currently in Phase III clinical trials for osteosarcoma; (2) Socazolimab, in combination with chemotherapy, is also in Phase III clinical trials for small cell lung cancer, with patient enrollment already completed; (3) Zotiraciclib, an oral multi-kinase inhibitor, is undergoing Phase I clinical trials for glioblastoma; (4) Gimitecan, a topoisomerase I inhibitor, is 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 (5) Socazolimab in combination with Pexa-vec (an oncolytic virus) is currently in Phase Ib clinical trials for melanoma.

### **New Products Approval**

During the period under review and up to date, the Group obtained 3 registration certificate approvals from National Medical Products Administration (“NMPA”).

#### **INOmax DS<sub>IR</sub> Plus**

On 25 May 2023, the Medical Device Registration Certificate for INOmax DS<sub>IR</sub> Plus Delivery System™ (“**INOmax DS<sub>IR</sub> Plus**”) was 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. At present, the Group is engaged in negotiations with the supplier regarding the commercial launch date of the product. These discussions are aimed at finalising and aligning the necessary arrangements to ensure a successful and timely market introduction.

#### **Apremilast Tablet**

On 14 June 2023, the Drug Registration Certificate of a type of Apremilast tablet (specifications: 10 mg, 20 mg and 30 mg) was obtained from the NMPA. Apremilast tablet is an oral small molecule inhibitor of phosphodiesterase-4 (PDE4) specific for cyclic adenosine monophosphate (cAMP). The inhibiting effect of PDE4 increases the level of cAMP in cells. This product is approved for the treatment of adults with moderate to severe plaque psoriasis who are candidates for phototherapy or systemic therapy. In addition, on 3 July 2023, a successful application was made to change the shelf life of this product from 12 months to 36 months. The Group had initially planned to launch the product as per the original timeline. However, after careful consideration and evaluation, the decision has been made to explore the possibility of entering into the upcoming VBP program instead.

## **Adasuve®**

On 21 November 2023, Adasuve® (Loxapine for Inhalation) has received the Drug Registration Certificate from the NMPA. This approval allows Adasuve® to be used for the acute treatment of agitation associated with schizophrenia or bipolar disorder in adults. The decision is based on successful clinical trials conducted in the US, Europe, and China, with the most recent Phase III trial in China demonstrating a significant reduction in agitation symptoms. Adasuve® offers rapid onset of action, reaching peak plasma levels within 2 minutes, making it an effective option for managing agitation episodes.

## **Sales and Marketing**

In response to the intensifying competition within the business landscape, the Group has made significant efforts in recent years to strengthen its sales and marketing capabilities. A key focus area has been market access, recognising its vital importance. The Group has taken proactive measures to equip the market access team with the necessary skills and knowledge to navigate the intricate healthcare landscape in mainland China. These endeavors have already started yielding positive outcomes.

Remarkably, on 18 January 2023, the Group's commercialised products, namely Treprostinil Injection (芮旋爾®), Teglutik®, and Trittico®, were included for the first time in the updated NRDL issued by the China National Healthcare Security Administration. The implementation of this inclusion commenced on 1 March 2023.

To date, a total of 10 products from the Group have been successfully included in the updated NRDL, underscoring the Group's commitment to broadening market access and enhancing patient affordability.

## **Corporate Development**

On 13 November 2023, the Group entered into an Assets Transfer Agreement to transfer the assets related to Eyprotor®, including intellectual property rights, technologies, processes, and other relevant interests, to Zhaoke (Guangzhou) Ophthalmology Pharmaceutical Co., Ltd, an indirect wholly-owned subsidiary of Zhaoke Ophthalmology Limited, for a consideration of RMB60 million, subject to adjustments. The purpose of this disposal is to align with the Group's strategy of focusing its resources on non-ophthalmic business areas. It is expected that this transaction will allow the Company to allocate its resources more effectively in major therapeutic areas and offer a broader range of products. The details of this agreement have been disclosed in the announcement dated 13 November 2023.

## **Prospect**

The Group faces several hurdles due to increased competition and evolving market dynamics. A significant concern arises from the inclusion of lower-margin products in the national reimbursement scheme or national VBP program, necessitating the Group's diligent approach to operations. Additionally, elevated operating costs, coupled with the impact of inflation, consistently challenge the Group, demanding strategic management and attention.

Furthermore, the Group will continue implementing cost control measures and emphasising efficiency throughout the value chain, with a particular focus on sales and R&D. These efforts aim to improve profitability and ensure long-term sustainability.

In light of these challenges, the Group will remain focused on its objectives and unwavering in its commitment to success. The Group firmly believes that these initiatives will ultimately create more value to reward its shareholders for their unwavering support.

## **FINAL DIVIDEND**

The Board recommended a final dividend of HK\$0.010 (2022: HK\$0.010) per share to shareholders registered in the Company's register of members as at the close of business on Friday, 31 May 2024.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company was scheduled to be held on Wednesday, 22 May 2024 ("AGM"). The notice of AGM will be issued to shareholders of the Company and published on the Company's website at [www.leespharm.com](http://www.leespharm.com) and the designated website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at [www.hkexnews.hk](http://www.hkexnews.hk) in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(a) AGM**

The register of members of the Company will be closed from Friday, 17 May 2024 to Wednesday, 22 May 2024 (both days inclusive), during which period no transfer of shares will be effected for determining the shareholders who are entitled to attend and vote at the AGM.

In order to qualify for the right to attend and vote at the AGM, all transfer documents 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 for registration not later than 4:30 p.m. on Thursday, 16 May 2024.

## **(b) Payment of the proposed final dividend**

The register of members of the Company will be closed from Thursday, 30 May 2024 to Friday, 31 May 2024 (both days inclusive), during which period no transfer of shares will be effected for determining the shareholders who are entitled for the proposed final dividend for the year ended 31 December 2023.

In order to qualify for the proposed final dividend for the year ended 31 December 2023, all transfer documents 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 for registration not later than 4:30 p.m. on Wednesday, 29 May 2024.

Subject to shareholders’ approval of the proposed final dividend of shares at the AGM, the final dividend is payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 31 May 2024. The final dividend will be paid on Monday, 17 June 2024.

## **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 year ended 31 December 2023.

## **MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS**

During the year ended 31 December 2023, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”). The Company has made specific enquiries to all Directors, and the Company was not aware of any non-compliance with the Model Code and required standard of dealing throughout the year ended 31 December 2023.

## **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 year ended 31 December 2023.

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.

Detailed corporate governance practices will be stated in the annual report of the Company for the year ended 31 December 2023.



## **REVIEW OF ANNUAL RESULTS**

The Group's annual results (including the audited consolidated financial statements) for the year ended 31 December 2023 including the accounting principles and practices adopted have been reviewed by the audit committee which consists of three independent non-executive Directors, namely, Dr. Chan Yau Ching, Bob, Ms. Cheang Yee Wah, Eva and Dr. Tsim Wah Keung, Karl.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY INDEPENDENT AUDITOR**

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Group's independent auditor, Confucius International CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Confucius International CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Confucius International CPA Limited on this preliminary results announcement.

## **PUBLICATION OF FINANCIAL INFORMATION**

The annual report of the Company for the year ended 31 December 2023 containing all the detailed information will be dispatched to the shareholders of the Company and published on the Company's website at [www.leespharm.com](http://www.leespharm.com) and the designated website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in due course.

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

Hong Kong, 26 March 2024

*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, Ms. Cheang Yee Wah, Eva and Dr. Tsim Wah Keung, Karl, are independent non-executive Directors.*