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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHT

	For the year ended 31 December		Change
	2024 HK\$'000	2023 HK\$'000	
Revenue	1,399,969	1,053,034	+32.9%
Gross profit	753,355	551,311	+36.6%
Profit attributable to the owners of the Company	93,099	16,698	+457.5%
	HK cents	HK cents	
Earnings per share			
Basic	15.81	2.84	+456.7%
Diluted	15.81	2.84	+456.7%

The Board recommends the payment of final dividend of HK2.5 cents (2023: HK1.0 cent) per ordinary share for the year ended 31 December 2024.

* 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 2024 and the comparative figures as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	1,399,969	1,053,034
Cost of sales		(646,614)	(501,723)
Gross profit		753,355	551,311
Other income	3	62,450	77,257
Other gains and losses, net	4	(22,542)	5,977
Selling and distribution expenses		(387,292)	(304,296)
Administrative expenses		(195,298)	(188,612)
Provision for expected credit losses, net		(13,702)	(1,280)
Research and development expenses		(83,829)	(96,804)
Profit from operations		113,142	43,553
Finance costs		(14,190)	(11,898)
Share of results of associates		(839)	(870)
Profit before taxation		98,113	30,785
Taxation	5	(29,501)	(10,836)
Profit for the year		68,612	19,949
Attributable to:			
Owners of the Company		93,099	16,698
Non-controlling interests		(24,487)	3,251
		68,612	19,949
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7		
Basic		15.81	2.84
Diluted		15.81	2.84

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
Profit for the year	68,612	19,949
Other comprehensive (expense)/income:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of overseas subsidiaries	(42,951)	(32,660)
Item that will not be reclassified subsequently to profit or loss:		
– Fair value changes of financial assets at fair value through other comprehensive income	(420,125)	140,293
Other comprehensive (expense)/income for the year, net of tax	(463,076)	107,633
Total comprehensive (expense)/income for the year	<u>(394,464)</u>	<u>127,582</u>
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	(369,919)	124,663
Non-controlling interests	(24,545)	2,919
	<u>(394,464)</u>	<u>127,582</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		400,586	443,369
Intangible assets		1,135,017	1,076,655
Goodwill		4,366	4,366
Interests in associates		4,206	5,045
Financial assets at fair value through profit or loss		11,185	11,564
Financial assets at fair value through other comprehensive income		269,823	682,842
Deferred tax assets		8,098	10,199
		1,833,281	2,234,040
Current assets			
Inventories		287,514	298,106
Trade receivables	8	161,096	84,590
Other receivables, deposits and prepayments		119,130	100,170
Advance to associates		–	–
Tax recoverable		–	569
Pledged deposits		–	2,192
Cash and bank balances		216,845	171,000
		784,585	656,627
Current liabilities			
Trade payables	9	141,967	74,147
Other payables and accruals		449,788	439,021
Bank borrowings and overdrafts		149,957	122,119
Lease liabilities		7,802	7,452
Financial guarantee liabilities		12,967	–
Tax payables		8,773	6,079
		771,254	648,818
Net current assets		13,331	7,809
Total assets less current liabilities		1,846,612	2,241,849

	2024 HK\$'000	2023 HK\$'000
Capital and reserves		
Share capital	29,442	29,442
Reserves	1,622,357	2,009,513
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Equity attributable to the owners of the Company	1,651,799	2,038,955
Non-controlling interests	(102,893)	(78,357)
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Total equity	1,548,906	1,960,598
	<hr/>	<hr/>
Non-current liabilities		
Other payables and accruals	21,149	23,152
Bank borrowings	63,908	70,636
Lease liabilities	5,631	3,933
Retirement benefits	122,790	110,100
Deferred tax liabilities	84,228	73,430
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	297,706	281,251
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	1,846,612	2,241,849
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	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	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024	29,442	720,091	9,200	52,138	65,293	(2,292,778)	(104,956)	3,560,525	2,038,955	1,960,598
Employee share option benefits	-	-	-	406	-	-	-	-	406	406
Share options lapsed	-	-	-	(5,581)	-	-	-	5,581	-	-
Gain on partial disposal of interests in a subsidiary	-	-	-	-	22	-	-	-	22	31
Profit/(loss) for the year	-	-	-	-	-	-	-	93,099	93,099	68,612
Other comprehensive expense for the year										
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(42,915)	-	(42,915)	(36)
- Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	(420,103)	-	-	(420,103)	(22)
Total comprehensive (expense)/income for the year	-	-	-	-	-	(420,103)	(42,915)	93,099	(369,919)	(394,464)
2023 final dividend paid	-	-	-	-	-	-	-	(5,888)	(5,888)	(5,888)
2024 interim dividend paid	-	-	-	-	-	-	-	(11,777)	(11,777)	(11,777)
At 31 December 2024	<u>29,442</u>	<u>720,091</u>	<u>9,200</u>	<u>46,963</u>	<u>65,315</u>	<u>(2,712,881)</u>	<u>(147,871)</u>	<u>3,641,540</u>	<u>1,651,799</u>	<u>1,548,906</u>
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	1,842,524
Employee share option benefits	-	-	-	793	-	-	-	-	793	793
Share options lapsed	-	-	-	(10,447)	-	-	-	10,447	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	313
Acquisition of additional interest in a subsidiary	-	-	-	-	(9)	-	-	-	(9)	(15)
Profit for the year	-	-	-	-	-	-	-	16,698	16,698	19,949
Other comprehensive income/(expense) for the year										
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(32,571)	-	(32,571)	(89)
- Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	140,536	-	-	140,536	(243)
Total comprehensive income/(expense) for the year	-	-	-	-	-	140,536	(32,571)	16,698	124,663	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>1,960,598</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 2024 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**”).

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

The application of 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 21	Lack of Exchangeability ¹
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 18	Presentation and Disclosure in Financial Statements ³
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ²

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ 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	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	846,732	585,758	553,237	467,276	1,399,969	1,053,034
Segment operating results	167,850	137,713	90,028	55,575	257,878	193,288
Research and development expenses	(53,876)	(39,725)	(29,953)	(57,079)	(83,829)	(96,804)
Impairment of intangible assets	–	–	(19,195)	(1,335)	(19,195)	(1,335)
Write-off of intangible assets	–	–	–	–	–	–
Segment results	113,974	97,988	40,880	(2,839)	154,854	95,149
Unallocated income					21,053	19,424
Unallocated expenses					(62,765)	(71,020)
Profit from operations					113,142	43,553
Finance costs					(14,190)	(11,898)
Profit before share of results of associates					98,952	31,655
Share of results of associates					(839)	(870)
Profit before taxation					98,113	30,785
Taxation					(29,501)	(10,836)
Profit for the year					68,612	19,949

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2023: 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 investees, gain on deemed disposal of interest in 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, certain provision for expected credit losses, 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	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,040,958	763,594	1,080,947	1,283,310	2,121,905	2,046,904
Unallocated assets					495,961	843,763
Total assets					<u>2,617,866</u>	<u>2,890,667</u>
Segment liabilities	275,620	234,569	343,227	346,401	618,847	580,970
Unallocated liabilities					450,113	349,099
Total liabilities					<u>1,068,960</u>	<u>930,069</u>

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 and certain investees, 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, financial guarantee liabilities, 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	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment (including right-of-use assets)	40,485	49,887	36,223	43,307	76,708	93,194
Amortisation of intangible assets	47,250	41,152	23,773	15,155	71,023	56,307
Additions to non-current assets (Property, plant and equipment, and intangible assets) during the year	116,954	94,067	113,940	78,615	230,894	172,682
Impairment of intangible assets	–	–	19,195	1,335	19,195	1,335
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 2024 and 2023, more than 90% of the Group's revenue was derived from activities conducted in the People's Republic of China (the "PRC"), 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	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,843,575	1,656,662	774,291	1,234,005	2,617,866	2,890,667
Total liabilities	594,403	458,509	474,557	471,560	1,068,960	930,069
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

3. OTHER INCOME

	2024 HK\$'000	2023 HK\$'000
Interest income on bank deposits	2,133	1,534
Government and development grants	4,211	32,322
Licensing income	877	1,266
Milestone income	10,207	–
Rental and utilities income	14,609	15,211
Research and development service income	13,928	17,812
Sundry income	16,485	9,112
	<u>62,450</u>	<u>77,257</u>

Milestone income refers to the performance-linked income associated with the disposal of intangible assets, details of which were disclosed in the announcement of the Company dated 13 November 2023.

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

4. OTHER GAINS AND LOSSES, NET

	2024 HK\$'000	2023 HK\$'000
Fair value loss in respect of financial assets at fair value through profit or loss, net	(379)	(1,572)
Gain on deemed disposal of interest in associates	–	147
Gain on disposal of		
– Property, plant and equipment, net	137	10
– Intangible assets	–	41,623
Impairment loss recognised in respect of		
– Property, plant and equipment	–	(22,658)
– Right-of-use assets	(6,705)	(8,971)
– Intangible assets	(19,195)	(1,335)
Loss on termination of lease agreement	–	(40)
Write-off of		
– Property, plant and equipment	(14)	(350)
– Intangible assets	–	–
Foreign exchange gain/(loss), net	3,614	(877)
	<u>(22,542)</u>	<u>5,977</u>

5. TAXATION

	2024 HK\$'000	2023 HK\$'000
Current tax		
Hong Kong Profits Tax	6,588	6,597
PRC Enterprise Income Tax	1,531	5,416
	<u>8,119</u>	<u>12,013</u>
Under/(Over) provision in prior years		
Hong Kong Profits Tax	995	(20)
PRC Enterprise Income Tax	4,985	29
	<u>5,980</u>	<u>9</u>
Deferred tax		
Origination/(Reversal) of temporary differences	15,402	(1,186)
	<u>29,501</u>	<u>10,836</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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimate assessable profits and at 16.5% on the estimate assessable profits above HK\$2 million.

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% (2023: 25%) on the estimated assessable profits for the year, if applicable, based on existing legislation, interpretations and practices in respect thereof, except for a subsidiary which is entitled to preferential tax treatment of 15% (2023: 15%) for three years upon grant of the certificates as they are qualified as “new high technology enterprise”.

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

6. DIVIDENDS

	2024 HK\$'000	2023 HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2024 interim dividend HK\$0.020 (2023: 2023 interim dividend HK\$0.008) per share	11,777	4,711
2023 final dividend HK\$0.010 (2023: 2022 final dividend HK\$0.010) per share	5,888	5,888
	<u>17,665</u>	<u>10,599</u>

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2024 of HK2.5 cents per share (2023: final dividend in respect of the year ended 31 December 2023 of HK1.0 cent per share), in an aggregate amount of HK\$14,721,000 (2023: 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 2024.

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:

	2024 <i>HK\$'000</i>	2023 <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><u>93,099</u></u>	<u><u>16,698</u></u>
	2024 <i>Share(s) '000</i>	2023 <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>–</u>	<u>1</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><u>588,835</u></u>	<u><u>588,836</u></u>

8. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	163,593	86,511
Less: Allowances for expected credit losses ("ECL")	<u>(2,497)</u>	<u>(1,921)</u>
	<u><u>161,096</u></u>	<u><u>84,590</u></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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–30 days	96,139	41,315
31–120 days	62,245	43,053
121–180 days	2,446	132
181–365 days	266	82
Over 365 days and under 3 years	–	8
	<u>161,096</u>	<u>84,590</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Overdue by:		
1–180 days	51,169	33,176
181–365 days	266	229
	<u>51,435</u>	<u>33,405</u>

Movement in allowance for ECL

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Balance at beginning of the year	1,921	706
Exchange rate adjustments	(81)	(23)
Write-off	(78)	(42)
Charge to profit or loss for the year	735	1,280
Balance at end of the year	<u>2,497</u>	<u>1,921</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

	2024 HK\$'000	2023 <i>HK\$'000</i>
Overdue by:		
181–365 days	266	229
Over 365 days and under 3 years	<u>2,231</u>	<u>1,692</u>
	<u>2,497</u>	<u>1,921</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:

	2024 HK\$'000	2023 <i>HK\$'000</i>
0–90 days	127,414	63,209
91–180 days	13,573	4,913
181–365 days	450	5,556
Over 365 days	<u>530</u>	<u>469</u>
	<u>141,967</u>	<u>74,147</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\$1,399,969,000 for the year ended 31 December 2024 (the “**Reporting Year**”), representing a substantial increase of 32.9% compared to the prior year’s revenue of HK\$1,053,034,000. Licensed-in products continued to deliver strong results, with sales amounting to HK\$553,237,000 (2023: HK\$467,276,000), contributing 39.5% (2023: 44.4%) of the Group’s total revenue. Proprietary and generic products also demonstrated strong momentum, with combined sales totalling HK\$846,732,000 (2023: HK\$585,758,000), accounting for 60.5% (2023: 55.6%) of the Group’s revenue.

Licensed-in products delivered notable growth, with Bredinin[®] achieving a 24.5% increase in sales to HK\$133.8 million and Teglutik[®] recording a remarkable sales growth of 143.4%, reaching HK\$20.7 million. Trittico[®] also demonstrated significant progress, with sales surging 137.8% to HK\$120.7 million, while Ferplex[®] remained a key contributor with sales of HK\$185.8 million, despite a year-on-year decline of 9.3%.

In-house products excelled, with Nadroparin Calcium Injection (立騰菁[®]), a volume-based procurement (“**VBP**”) product, achieving an outstanding 130.4% growth, with sales reaching HK\$192.7 million. Yallaferon rebounded strongly with a 12.8% increase, recording sales of HK\$254.8 million. Generic products also performed well, with total sales increasing 59.9% to HK\$255.6 million, led by Treprostinil Injection’s (芮旋爾[®]) robust growth of 62.3%, achieving sales of HK\$184.4 million.

The Group achieved a record-high revenue during the Reporting Year, showcasing its resilience and adaptability in addressing transitional challenges from prior years. These include the expiration of legacy licensed-in product agreements, and the time required to scale newly launched products. Through strategic execution, a commitment to innovation, and the optimisation of its product portfolio, the Group has not only overcome these hurdles but also delivered impressive results that position it for long-term growth and success.

During the Reporting Year, the Group achieved a gross profit of HK\$753,355,000, representing a substantial increase of 36.6% compared to HK\$551,311,000 in the prior year. The gross profit margin improved to 53.8%, up from 52.4% in 2023, reflecting enhanced profitability and operational efficiencies. The increase in gross profit was achieved despite ongoing challenges, including pressures on supply costs and the continued inclusion of products under the VBP programme, which typically carry lower profit margins. These results highlight the Group’s ability to adapt and optimise its operations to deliver improved financial performance while navigating a competitive market environment.

The Group spent a total of HK\$193,085,000 on research and development (“**R&D**”) activities, representing 13.8% of annual revenue (2023: HK\$219,849,000 or 20.9% of revenue). Of this amount, HK\$83,829,000 (2023: HK\$96,804,000) was recognised as expenses, while HK\$109,256,000 (2023: HK\$123,045,000) was capitalised as intangible assets. The reduction in R&D expenditure reflects the Group’s strategic focus on balancing investment in innovation with financial discipline. Key R&D activities included the development of new drugs across major therapeutic areas such as cardiovascular health, women’s health, paediatrics, rare diseases, dermatology, and obstetrics, with oncology handled by a dedicated R&D arm. Although overall R&D spending has decreased, the Group remains firmly dedicated to long-term growth by channeling investments into high-potential projects. This focused approach enables the Group to drive innovation while safeguarding a strong and stable financial position for future endeavours.

The Group’s selling and distribution expenses amounted to HK\$387,292,000 during the Reporting Year, reflecting an increase of HK\$82,996,000 or 27.3% compared to the previous year, where expenses totalled HK\$304,296,000. The selling expenses to revenue ratio improved to 27.7% compared to 28.9% in the prior year, demonstrating the Group’s efficient allocation of resources. This increase in expenses was mainly attributable to expanded efforts for the launch and promotion of new products, alongside investments in strengthening distribution channels and executing brand-building initiatives for selected products.

During the Reporting Year, the Group’s administrative expenses totalled HK\$195,298,000, representing an increase of HK\$6,686,000 or 3.5% compared to the previous year, where expenses were HK\$188,612,000. The Group remains committed to operating its business efficiently and effectively, implementing cost-saving measures to enhance operational performance and profitability while carefully managing expenditure.

The net profit attributable to the owners of the Company in 2024 was HK\$93,099,000, a substantial improvement from HK\$16,698,000 in 2023, despite several factors impacting the overall result. These included a provision for the diminution in value of the land use rights in Nansha under resumption, amounting to HK\$6,705,000, a provision for losses related to a financial guarantee issued for an associate amounting to HK\$12,967,000, and an impairment loss of HK\$19,195,000 recognised in relation to the elimination of certain R&D projects during the Reporting Year.

Manufacturing Facilities and Production Capability

The Group's manufacturing facilities have achieved significant advancements in production capabilities and efficiency. At the Hefei site, previous equipment upgrades have enabled the facility to focus on critical inspections, including U.S. FDA site inspections and Good Manufacturing Practice (GMP) compliance for specific products. During the Reporting Year, a new pre-filled production line became operational, significantly boosting capacity for VBP products, namely Fondaparinux Sodium Injection (立暢青®) and Nadroparin Calcium Injection (立騰菁®). The Hefei facility recorded a remarkable 34% increase in total production volume in 2024 compared to the prior year, including an impressive 77% surge in pre-filled syringe production volume. This growth was driven by production mode optimisation, improved yields, and efficient equipment maintenance. Meanwhile, the Nansha site successfully scaled up production of Azilsartan Tablets (憩曇平®) and advanced validation batch production for Fentanyl aerosol inhalation, following the success of its Phase II clinical trial. Both manufacturing sites remain steadfast in their commitment to enhancing production by improving yields, conserving energy, reducing costs, and boosting efficiency to meet the demands of an evolving market environment.

Drug Development

The Group currently maintains a strong and carefully curated project pipeline, spanning early- to late-stage development, with a focus on selecting and advancing high-potential opportunities.

Major Therapeutic Areas

The Group is currently developing several assets across major therapeutic areas, including cardiovascular health, women's health, paediatrics, rare diseases, dermatology, and obstetrics, which includes late-stage programs such as (1) the New Drug Application (“NDA”) for Intrarosa® in the treatment of vulvovaginal atrophy (VVA); (2) Abbreviated New Drug Application (“ANDA”) for Sugammadex Sodium Injection; and (3) ANDA for Melphalan Hydrochloride for Injection. Additionally, the Group is pursuing R&D projects in rare diseases, such as Neridronate Sodium for Osteogenesis imperfecta and Anfibatide for Thrombotic Thrombocytopenic Purpura, as well as in oncology pain management with a Fentanyl drug-device combination.

Oncology Pipeline

China Oncology Focus Limited (“COF”), a 65% owned subsidiary of the Group, serves as the Group's R&D arm and is a clinical development stage company specialising in oncology, with a particular focus on immuno-oncology. COF has successfully built a robust pipeline of oncology assets, comprising 6 innovative assets and 4 generics, developed through a combination of internal R&D efforts and licensing agreements, including Socazolimab, which was licensed-in Socazolimab and has since been fully acquired during the Reporting Year.

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

Moreover, COF is advancing multiple programs, including late-stage trials for osteosarcoma, early-phase trials for glioblastoma, mid- to early-phase evaluations for ovarian, small-cell lung, and pancreatic cancers, and combination trials for melanoma using an oncolytic virus. These efforts reflect COF’s commitment to addressing critical needs in oncology through innovative solutions

AI-Driven Drug Discovery

In addition, the Group is embarking on a groundbreaking journey in AI-driven drug discovery, partnering with Auransa Inc. to manufacture AU409, an AI-derived drug targeting advanced hepatocellular carcinoma, at its China facility under U.S. FDA standards. Furthermore, the Group is conducting the Phase I clinical trial for AU409, which began in July 2024 and is expected to conclude by the second quarter of 2025. This collaboration marks a new era in AI-driven drug discovery, with plans to deepen cooperation with Auransa Inc. in this field.

New Products Approval

During the year under review and up to date, the Group obtained 3 registration certificate approvals from NMPA.

Levocarnitine Injection

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

Epinastine Hydrochloride Tablets

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

Ciprofloxacin Hydrochloride and Fluocinolone Acetonide Ear Drops

In January 2025, Ciprofloxacin Hydrochloride and Fluocinolone Acetonide Ear Drops has obtained drug registration approval granted by the NMPA and are indicated for the treatment of acute otitis externa (“AOE”) and acute otitis media with tympanostomy tubes (“AOMT”).

Sales and Marketing

In response to the growing competition within the business environment, the Group has focused on strengthening its sales and marketing capabilities. Recognising the critical importance of market access, the Group has invested in equipping its market access team with the skills and expertise needed to navigate the complex healthcare environment in mainland China. These proactive efforts have started yielding positive results, contributing to the successful inclusion of key products in major programs like the National Reimbursement Drug List (“NRDL”) and VBP. The Group’s products Treprostinil Injection (芮旋爾®), Teglutik®, and Trittico® were included in the updated NRDL in the prior year, with Treprostinil Injection (芮旋爾®) emerging as a key revenue driver, and Trittico® and Teglutik® showing strong growth. Notably, Treprostinil Injection (芮旋爾®) and Teglutik® reflect the Group’s emphasis on addressing rare diseases in recent years, further supporting a well-balanced and diversified product portfolio. This shift has not only enhanced the Group’s market position but also expanded its offerings to meet unmet medical needs.

During the Reporting Year, the Group has also achieved procurement platform listings in most of the provinces for two key new products: Socazolimab Injection (善克鈺®) and the Adapalene and Clindamycin Combination Gel (馥霖安®), which are expected to drive future growth.

To date, a total of 10 products from the Group have been successfully included in the updated NRDL, with 2 also featured in the VBP program. This highlights the Group’s ongoing commitment to broadening market access and enhancing patient affordability.

Corporate Development

On 27 December 2024, the Group finalised the resumption of land use rights for a parcel in Nansha District, Guangzhou, designated for medical and sanitary purposes. The total compensation of RMB89.2 million (approximately HK\$94.6 million) was calculated based on the land’s original acquisition cost and an idle land levy. While the resumption is expected to result in an estimated impairment of approximately HK\$6.7 million recognised in the Reporting Year, the land was still under construction and did not impact the Group’s operations. Importantly, the proceeds from this resumption will release valuable capital upon receipt, bolstering future cash flow and enabling the Group to prioritise and strengthen its core pharmaceutical initiatives.

PROSPECT

The Group is navigating a dynamic and competitive landscape as China’s pharmaceutical industry undergoes significant transformation. A primary challenge stems from the integration of lower-margin products into the national reimbursement scheme and the VBP program, necessitating a meticulous and adaptive operational strategy. Moreover, rising operating costs and inflationary pressures continue to heighten operational complexities. These challenges underscore the importance of strategic management, cost efficiency, and innovation in maintaining a competitive edge. Encouragingly, increasing sales volumes and advancements in manufacturing efficiency are expected to alleviate some of these pressures.

In response, the Group remains steadfast in its commitment to implementing rigorous cost-control measures and enhancing operational efficiency across its value chain. With particular emphasis on sales and R&D functions, the Group aligns with industry-wide trends by prioritising lean operations to counter VBP-driven margin compression. It is also accelerating innovation in areas such as biologics and digital health solutions, including AI-driven drug discovery, to capitalise on China's broader push for pharmaceutical innovation.

While maintaining a cautious outlook, the Group is resolute in its objectives and optimistic about its long-term sustainability and value creation for the Shareholders. The Group is also actively working to enhance profitability by refining its product mix and optimising resources efficiency. By leveraging strategic initiatives, embracing innovation, and upholding its commitment to sustainability, the Group is poised to deliver enhanced value and reward its shareholders for their continued trust and support.

FINAL DIVIDEND

The Board recommended a final dividend of HK\$0.025 (2023: HK\$0.010) per share to shareholders registered in the Company's register of members as at the close of business on Monday, 2 June 2025.

ANNUAL GENERAL MEETING

The annual general meeting of the Company was scheduled to be held on Thursday, 22 May 2025 ("AGM"). The notice of AGM will be issued to shareholders of the Company and published on the Company's website at www.leespharm.com and the designated website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkexnews.hk in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) AGM

The register of members of the Company will be closed from Monday, 19 May 2025 to Thursday, 22 May 2025 (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 Friday, 16 May 2025.

(b) Payment of the proposed final dividend

The register of members of the Company will be closed from Friday, 30 May 2025 to Monday, 2 June 2025 (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 2024.

In order to qualify for the proposed final dividend for the year ended 31 December 2024, 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, 29 May 2025.

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 Monday, 2 June 2025. The final dividend will be paid on Monday, 16 June 2025.

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 2024.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

During the year ended 31 December 2024, 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 2024.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules throughout the year ended 31 December 2024.

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

Detailed corporate governance practices will be stated in the annual report of the Company for the year ended 31 December 2024.

REVIEW OF ANNUAL RESULTS

The Group's annual results (including the audited consolidated financial statements) for the year ended 31 December 2024 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 2024 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 2024 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 and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

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

Hong Kong, 27 March 2025

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