



李氏大藥廠

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 Report 2020



* 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 2020, together with the comparative figures for the corresponding period in 2019. 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

The market was in a slowing growth situation but inflationary pressure in raw material costs, manufacturing and administrative overhead remained high during the period under review. Together with the tensions between China and the U.S. attained an all-time high and the negative impact arising from the outbreak of a novel coronavirus (“**COVID-19**”) persisted, the business operating environment was stayed tough in China during the period under review.

Drugs for surgical use such as Livaracine® and Slounase® have been affected most as the hospitals were still inclined to postpone elective surgeries amid COVID-19 resurgence fears during the quarter under review but began to show improvement on a quarter-to-quarter comparison. The sales of Livaracine® and Slounase® dropped 31.8% and 23.5%, respectively, during the period under review as compared to the same period last year, and were improved from the decrease in the first quarter of 33.1% and 34.8%, respectively. Yallaferon® was categorised by the Department of Economic and Information Technology of Anhui Province as one of the critical materials for the COVID-19 pandemic prevention and control during the period under review, and the sale thereof was comparatively less affected, declined by 13.4% as compared to the same period last year. On the other hand, the demand for chronic disease medications remains intact during the period under review. Revenue of Carnitene® and Zandip® recorded a growth of

18.6% and 1.6%, respectively, and revenue of Ferplex[®] decreased by 14.0%. The timely approved generic Treprostinil Injection in March 2020 has instantly made contribution to the revenue since the end of first quarter of this year and partially compensated for the loss of revenue following the termination of distribution of Remodulin[®] by end of 2019.

Revenue for the second quarter of this year was HK\$283,732,000, represented a decrease of 12.6% over the same quarter last year but a sequential increase of 3.9% over the first quarter of 2020. Revenue for the first half of 2020 was HK\$556,716,000, represented a decrease of 8.4% over same period last year when Renminbi currency has been weakened by 5.1% year-on-year.

Sales of licensed-in products accounted for 60.9% (for the six months ended 30 June 2019: 55.4%) of the Group's revenue while sales of proprietary and generic products contributed 39.1% (for the six months ended 30 June 2019: 44.6%) of the Group's revenue.

During the first half of 2020, the Group's gross profit decreased by HK\$36,708,000 or 9.1%. The Group's gross profit for the second quarter of this year decreased by HK\$28,229,000 or 13.2%. The Group's gross profit margin for the second quarter of this year was 65.2%, slightly decreased by 0.5 percentage point as compared to 65.7% achieved during the same quarter last year. The Group's gross profit margin for the six months ended 30 June 2020 was 65.7%, slightly decreased by 0.5 percentage point as compared to the same period last year.

Following the slowdown in the first quarter amid COVID-19 pandemic, the Group's research and development ("**R&D**") activities for new drugs have been resumed gradually in the second quarter and HK\$151,136,000 (for the six months ended 30 June 2019: HK\$159,736,000) was spent in R&D activities during the first half of 2020, representing 27.1% (for the six months ended 30 June 2019: 26.3%) to the corresponding revenue during the period under review. Among which HK\$75,160,000 (for the six months ended 30 June 2019: HK\$78,812,000) has been recognised as expenses and HK\$75,976,000 (for the six months ended 30 June 2019: HK\$80,924,000) has been capitalised as intangible assets.

The Group continued to impose stringent cost-control measures in order to mitigate cost pressures in other areas. Nevertheless, the Group has allocated more resources to the sales and marketing team during the period under review in order to explore new distribution channels and to prepare for the roll-out of new products, and thus selling and distribution expenses to revenue ratio during the period under review has increased to 21.9% (for the six months ended 30 June 2019: 17.8%).

During the period under review, the product license of Zanidip® which would be originally expired on 31 December 2021 was early terminated in return for compensation. Given the availability of several generic lercanidipines in China, the Group believes that the early termination of this product at this juncture not only brings short-term financial benefit but also paves the way for the Group to launch its generic version in the near future for long term prosperity. An one-off compensation income of HK\$41,208,000 has been recognised by the Group accordingly. Together with the absence of considerable intangible assets impairment during the period under review, as compared to the non-recurring loss of approximately HK\$108.6 million incurred in the same period last year by China Oncology Focus Limited ("**COFL**"), a 65%-owned subsidiary of the Group, which arose from the impairment of its intangible asset after the discontinuation of a Phase III clinical trial of Pexa-Vec for advanced liver cancer, net profit attributable to the owners of the Company in the first half of 2020 was HK\$96,982,000, increased by 153.3% over the same period last year.

Following the completion of the upgrading of facilities for APIs such as Nadroparin Calcium, there are more upgrading works in progress in Hefei site such as the upgrading of Yallaferon® production facilities and pre-filled syringe production facilities in order to improve the capacity and efficiency. In Nansha site, the manufacturing of Tecarfarin tablet batch samples for GMP application and clinical trials is actively moving forward in good progress. In addition, the three new manufacturing facilities in the Nansha premise for Staccato® fentanyl, oral cytotoxic drugs and continuous glucose monitor have been erected. Clinical sample of Staccato® fentanyl for inhalation for the treatment of cancer breakthrough pain has been successfully produced and the submission of Investigational New Drug ("**IND**") will be made in September 2020. The equipment installation for the production of oral cytotoxic drugs and continuous glucose monitor is ongoing and full commission is expected during the second half of 2020.

The Group's R&D pipeline includes over 60 projects from early- to late-stage development in various therapeutics areas. The Group's commitment to R&D persisted and measurable progress has been made during the period and up to date.

During the period under review and up to date, the Group's applications for Import Drug License ("**IDL**"), namely Trazodone®, INOmax®, Zingo® and Teglutik®, were under review by the Centre for Drug Evaluation (the "**CDE**"). On 20 February 2020, the New Drug Application ("**NDA**") of INOmax® has been granted priority review for paediatric orphan disease by China's National Medical Products Administration ("**NMPA**").

On 28 April 2020, Lee's Pharmaceutical (HK) Limited, a wholly-owned subsidiary of the Company, its NDA of Natulan® for the treatment of advanced Hodgkin's lymphoma has been accepted for review by NMPA.

On 12 June 2020, Unidrox® (Prulifloxacin tablet) has been successfully obtained the IDL from the NMPA for the treatment of patients with acute uncomplicated lower urinary tract infections (simple cystitis), complicated lower urinary tract infections, acute exacerbation of chronic bronchitis, or acute bacterial rhinosinusitis.

The Group's applications for Abbreviated New Drug Application ("**ANDA**"), namely Fondaparinux, Sodium Phenylbutyrate Granule, Sodium Phenylbutyrate Tablet and Bimatoprost, were also in good progress during the period under review and up to date.

On 18 March 2020, the manufacturing and marketing of Treprostinil Injection, a drug indicated for the treatment of pulmonary arterial hypertension and developed by Zhaoke Pharmaceutical (Hefei) Company Limited ("**ZKHF**"), a wholly-owned subsidiary of the Company, was approved by NMPA which made ZKHF's Treprostinil the first generic available in China.

On 24 July 2020, the conclusion of Livaracine[®] being bioequivalent to the original import drug of nadroparin calcium for injection (brand name: Fraxiparine) has been accepted and has been successfully obtained drug registration approval from the NMPA. This is a validation and confirmation of Livaracine[®]'s quality, safety and efficacy profile and is expected to significantly expand the current indications thereof.

Among other ANDA submissions, Fondaparinux and Sodium Phenylbutyrate Granule are in the final technical review and are pending for ANDA approval. Supplement data for Sodium Phenylbutyrate Tablet has been requested by the CDE and will be submitted soon. Bimatoprost is currently under review by the CDE.

Following the last of the 1,617 enrolled patients completed the final study visit on 7 April 2020, the Company has successfully completed its pivotal Phase III trial of Adapalene-Clindamycin Combination Gel ("**ACCG**") in China for the treatment of moderate acne vulgaris in June 2020. The objective of the ACCG's Phase III multi-centre, randomised, single-blind, parallel, positive controlled study (clinicaltrials.gov registration No.: NCT03615768) is to evaluate the efficacy and safety of ACCG for the treatment of moderate acne vulgaris. The top-line results from the pivotal Phase III trial show that the study has met its primary endpoint, demonstrating ACCG's superiority over either the Adapalene Gel or Clindamycin Phosphate Gel alone with highly significant statistic difference ($P < 0.0001$). NDA submission and marketing approval is expected in the second half of 2020 and in 2021, respectively.

The Group has commenced the pivotal Phase III trial of an investigational inhaled antipsychotic product, namely Staccato[®] loxapine for inhalation system (Adasuve[®]), in treating acute agitation in patients with schizophrenia or bipolar disorder (manic or mixed episodes) as defined by The Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition (DSM-5) criteria in China during the period under review and completed. The study was conducted in 14 trial sites and total 150 patients were enrolled therefor. The first patient was enrolled on 29 April 2020 and the last patient was enrolled on 11 July 2020. Clinical data collection is currently underway and top-line results are expected to be announced in September 2020, subject to successful database lock and results validation, and NDA is expected to be submitted by the end of 2020.

In order to speed up the development process of ZKAB001, anti-PD-L1 monoclonal antibody, in recurrent and metastatic cervical cancer which could become a new hope to the patients in need. On 10 July 2020, COFL has submitted the application of breakthrough therapeutic drugs designation to NMPA under the revised Drug Registration Regulation ("**Revised DRR**") which has come into effect from 1 July 2020. The Revised DRR expanded priority review to breakthrough therapeutic drugs, which are used for the prevention and treatment of diseases that seriously affect the quality of life or seriously life threatening, for which there are no effective prevention or treatment methods or, compared with existing measures of treatment, there is sufficient evidence to show that they have obvious clinical advantages.

Phase Ib+III clinical trial of ZKAB001 in front line treatment of small cell lung cancer has started patient enrolment in April 2020. The registration enabling trial is planned to enrol over 350 patients across 30 different sites in China.

Following the completion of a Phase I clinical trial for ZKAB001 in osteosarcoma patients, a pivotal Phase III study of ZKAB001 monotherapy for maintenance stage of sarcoma after its first line treatment has been initiated subsequent to the period under review and has the first patient dosed on 21 August 2020. This pivotal Phase III clinical trial is titled "Study of ZKAB001 for Maintenance Therapy in Patients With High-grade Osteosarcoma After Adjuvant Chemotherapy" and is being conducted at 34 trial sites in China and expected to enrol 362 patients in total, including placebo cohort. The patients will receive ZKAB001 treatment every three weeks for 16 cycles or for one year, whichever comes first. 1-year disease-free survival of the patients will be the primary endpoint of this clinical trial.

Another pivotal Phase III study of ZKAB001 in combination with chemotherapy for the first line treatment of urothelial cancer will be initiated in this year. In addition, several studies are ongoing or being prepared for other solid tumours such as ovarian cancer, glioblastoma and melanoma for other oncology products such as Zotiraciclib (TG02), Gimitecan and Pexa-Vec.

In the area of ophthalmology, China Ophthalmology Focus Limited ("**COPFL**"), the Company's indirect non-wholly owned subsidiary, has agreed the Phase III protocol of the Cyclosporine A Ophthalmic Gel trial with CDE for the treatment of dry eye in China. The application of ethical clearance is currently in progress and the pivotal Phase III study is expected to initiate patient recruitment in September 2020.

In-licensing strategy is the Group's preferred mode of its business development, and here are the details of the two in-licensing deals which involve three new ophthalmic products.

On 25 June 2020, Zhaoke (Hong Kong) Ophthalmology Pharmaceutical Limited ("**ZKO**"), an indirectly non-wholly owned subsidiary of the Company, and PanOptica, Inc. ("**PAN**"), a U.S.-based ophthalmology-focused pharmaceutical company developing a topical eye drop for the treatment of sight-threatening eye diseases caused by abnormal or leaky blood vessels, entered into a binding letter of intent for exclusive rights to develop, manufacture and commercialise PAN-90806 in China, Hong Kong, Macau, South Korea and other countries of Southeast Asia. Both ZKO and PAN plan to collaborate in the world-wide development of PAN-90806 in wet age-related macular degeneration ("**wAMD**"), and also potentially in other neovascular eye diseases, like diabetic retinopathy.

PAN-90806 is a once-daily topically applied small molecule VEGF receptor 2 tyrosine kinase inhibitor and blocks angiogenesis and vascular leakage. A specially designed patented formulation allows PAN-90806 to reach the back of the eye via the choriocapillaris circulation for its therapeutic effects while reducing its effective concentration in the front of the eye to avoid potential off-target adverse effects. At least two clinical trials have been conducted in the U.S. and both showed signs of therapeutic efficacies of PAN-90806 as indicated by improvement in visual acuity and reduction in retinal thickness. A bridging Phase II trial is being planned in China to confirm and extend these results. The Company believes that PAN-90806 represents a potential game changer in the management of wAMD. VEGF inhibition has been demonstrated to be efficacious in the treatment of wAMD in multiple clinical trials. An eye drop formulation will provide a non-invasive, more convenient and easier to adhere alternative to combat this debilitating disease either alone or in combination with other IVT therapies to reduce their frequency of administration. VEGF inhibition is the cornerstone of treatment, and alternatives to life-long IVT injections are a significant unmet need in optimising safety, convenience, patient access, and ultimately clinical outcomes for patients with these devastating conditions. Both PAN and ZKO intend to complete the transaction by the third quarter of 2020.

On 24 July 2020, following the binding letter of intent signed in May 2020, ZKO, and IACTA Pharmaceuticals, Inc. ("**IACTA**"), a U.S.-based ophthalmology focused pharmaceutical company developing drugs with novel mechanisms of action that treat diseases in areas of significant unmet medical need, entered into a license agreement for exclusive rights to develop, manufacture and commercialise IC-265 and IC-270 in China and other countries of Southeast Asia (the "**Territory**"). IC-265, currently in the Phase II development in U.S. for the treatment of dry eye, is a proprietary, highly selective and potent Syk kinase inhibitor with broad anti-inflammatory and anti-allergic effects. Since Syk is the critical starting point in the activation of the inflammatory or immune cascade in the eye, the Syk kinase inhibitor is able to block multiple downstream signalling pathways leading to different ophthalmic ailments, including dry eye. IC-270 is a fixed dose combination of IC-265 and an anti-histamine agent for the treatment of inflammatory ophthalmic diseases including allergic conjunctivitis. ZKO believes that this unique combination will simultaneously address multiple key inflammatory symptoms in the eye in a fashion unattainable by current therapies. ZKO will be spearheading its clinical development activities (and those of IC-265) required for regulatory approval in the Territory. Both IACTA and ZKO plan to collaborate in the world-wide development of IC-265 and IC-270 by creating a joint development committee to oversee and steer the development of these two assets.

One of the Group's strategic investments has reached a milestone during the period under review. On 20 May 2020, Windtree Therapeutics, Inc. ("**Windtree**") has successfully uplisted its common shares from the OTC Markets to the Nasdaq Capital Market® after the completion of financing via public offering. The proceeds therefrom provide additional resources for Windtree to advance its clinical studies and create value.

In view of the spread of the COVID-19 worldwide and the demand for masks has surged significantly, Powder Pharmaceuticals Incorporated, an associated company of the Group, is currently operating two fully automatic face mask production machines in its cleanroom which meets the ISO-8 class 100,000 requirements. To date, the production volume of masks has been ramped up to approximately 40,000 pieces daily, and is selling online at vmask.com.hk.

PROSPECTS

The Group remains of the view that the tensions arising from inflationary, foreign currency and other issues brought up by the volatile and complicated macroeconomic and geopolitical environment together with the challenging situations resulting from the COVID-19 pandemic may continue for an extended period, and the Group foresees the tough environment will be persisted throughout this year.

Nevertheless, the Group will continue to stay focus on its new drug development, sales organisation reform and expansion, and cost containment. With the good progress is being made on the development of new drugs, evidenced by the encouraging results from clinical trials achieved and the number of NDA approvals obtained during the period under review and up to date, the Group is confident that all these works to be done will eventually drive growth therefor.

In addition, with the increasing maturity of the Chapter 18A regime introduced by The Stock Exchange of Hong Kong Limited since 2018 which support biotech companies to go public and raise capital in their pre-revenue stage, the Group is actively considering a possible spin-off and separate listing of its ophthalmology project in the near future. The Group believes that the spin-off of R&D arms, such as ophthalmology and oncology projects, into standalone companies will in turn drive the market to recognise the value of its robust R&D pipelines.

Beyond the present headwinds, the Group will continuously monitor the changing situations and make timely responses and adjustments as needed. As always, the operation and management team will continue to make its unremitting efforts to achieve additional uplift on the performance in the upcoming quarters.

FINANCIAL REVIEW

Gross Profit Margin

The Group recorded a gross profit of HK\$365,619,000 for the six months ended 30 June 2020, decreased by 9.1% as compared to the corresponding period of HK\$402,327,000. Gross profit margin was 65.7% during the period under review, slightly decreased by 0.5 percentage point as compared to 66.2% recorded in the corresponding period last year, which was mainly attributable to the inflationary pressure as well as the increased production costs of proprietary products during the period under review.

Selling and Distribution Expenses

Due to the Group's increased sales and marketing efforts on pre-launch and newly launched products, selling and distribution expenses for the six months ended 30 June 2020 increased by 13.0% as compared with the corresponding period of last year to HK\$122,136,000, accounting for 21.9% of the Group's revenue, increased by 4.1 percentage points as compared with 17.8% that of in the prior year.

Research and Development Expenses

Research and development expenses for the first half year was HK\$75,160,000, decreased by 4.6% as compared with HK\$78,812,000 spent over the same period last year. The Group R&D activities have been slowed down in the first quarter due to the COVID-19 pandemic and resumed gradually in the second quarter of the year.

Administrative Expenses

Administrative expenses for the six months ended 30 June 2020 was HK\$111,133,000, increased by 6.1% as compared with HK\$104,698,000 in the same period last year, which was in line with the Group's ongoing business expansion in Nansha site as well as the increase in staff costs during the period under review.

Other Payables

Other payables balance as at 30 June 2020 amounted to HK\$616,628,000 (31 December 2019: HK\$605,187,000). Other payables mainly included prepayments from customers and amounts payable in respect of sales guarantee deposit.

Liquidity and Financial Resources

The Group's principal sources of working capital in the current period included cash flow from bank borrowings.

As at 30 June 2020, the Group's current ratio (current assets divided by current liabilities) was 1.59 (31 December 2019: 1.59). As at 30 June 2020, the Group had net cash position of HK\$495,980,000 (31 December 2019: net cash of HK\$670,641,000) which represented by below:

| Net cash position | 30 June 2020 HK\$'000 | 31 December 2019 HK\$'000 |
|--------------------------------------------|--------------------------------------|------------------------------------------|
| Cash and bank balances | 361,809 | 364,994 |
| Pledged bank deposits | 52,260 | 40,345 |
| Time deposits | 270,471 | 410,136 |
| Less: Short-term bank and other borrowings | (188,560) | (144,834) |
| | 495,980 | 670,641 |

The calculation of Group's gearing ratio based on the net borrowings (after deducting cash and cash equivalent) to equity attributable to the owners of the Company was nil as at 30 June 2020 (31 December 2019: Nil).

Taking into consideration the existing financial resources available to the Group, it is believed that the Group should have adequate financial resources to meet its operation and development requirements in the future.

Foreign Exchange Exposure

Currently, the Group earns revenue and incurs costs in Renminbi, Hong Kong dollars, European Union euro, Japanese Yen, New Taiwan dollars and United States dollars. The Directors believe that the Group does not have foreign exchange problems in meeting its foreign exchange requirements. The Group will continue to monitor closely its foreign currency exposure and to consider hedging significant foreign currency exposure when necessary.

Pledge of Assets

Details of the pledge of assets of the Group as at 30 June 2020 are set out in note 20 to the unaudited condensed consolidated financial statements.

Employee Information

As at 30 June 2020, the Group had 1,417 (31 December 2019: 1,308) employees working in Hong Kong, Mainland China and Taiwan.

Total employee remuneration, including directors' remunerations, retirement benefits provision and mandatory provident fund contributions, for the period under review amounted to approximately HK\$161.0 million (six months ended 30 June 2019: HK\$128.1 million). The Group's emolument policies are formulated on the performance of individual employees and on the basis of the trends of salaries in various regions, which will be reviewed regularly every year. Apart from provident fund scheme, retirement benefits scheme and medical insurance, employees share options are also awarded to employees according to the assessment of individual performance.

SHARE OPTION SCHEME

Pursuant to a written resolution passes by all shareholders of the Company on 26 June 2002, the Company adopted a share options scheme (the "**2002 Share Option Scheme**"). At the annual general meeting of the Company held on 10 May 2012, a new share option scheme of the Company (the "**New Share Option Scheme**") was adopted upon expiry of the 2002 Share Option Scheme.

Details of the Company's share option schemes are summarised as follow:

| Date of grant | Vesting period | No. of options during the period | | | | At Exercise period | Exercise price per share HK\$ | |
|------------------------------|-----------------------------|----------------------------------|---------|-----------|--------|--------------------|----------------------------------|--------|
| | | At 01.01.2020 | Grant | Exercised | Lapsed | | | |
| Category I: Directors | | | | | | | | |
| 30.12.2013 | 30.12.2013 to 29.06.2014 | 338,000 | - | - | - | 338,000 | 30.06.2014 to 29.12.2023 | 7.300 |
| | 30.12.2013 to 29.03.2015 | 538,000 | - | - | - | 538,000 | 30.03.2015 to 29.12.2023 | 7.300 |
| 31.03.2015 | 31.03.2015 to 29.09.2015 | 669,000 | - | - | - | 669,000 | 30.09.2015 to 30.03.2025 | 11.200 |
| | 31.03.2015 to 29.06.2016 | 669,000 | - | - | - | 669,000 | 30.06.2016 to 30.03.2025 | 11.200 |
| 31.03.2016 | 31.03.2016 to 29.09.2016 | 880,500 | - | - | - | 880,500 | 30.09.2016 to 30.03.2026 | 5.754 |
| | 31.03.2016 to 29.06.2017 | 880,500 | - | - | - | 880,500 | 30.06.2017 to 30.03.2026 | 5.754 |
| 13.04.2017 | 13.04.2017 to 12.10.2017 | 885,000 | - | - | - | 885,000 | 13.10.2017 to 12.04.2027 | 7.548 |
| | 13.04.2017 to 12.07.2018 | 885,000 | - | - | - | 885,000 | 13.07.2018 to 12.04.2027 | 7.548 |
| 13.04.2018 | 13.04.2018 to 12.10.2018 | 684,000 | - | - | - | 684,000 | 13.10.2018 to 12.04.2028 | 11.216 |
| | 13.04.2018 to 12.07.2019 | 684,000 | - | - | - | 684,000 | 13.07.2019 to 12.04.2028 | 11.216 |
| 15.04.2019 | 15.04.2019 to 14.10.2019 | 888,000 | - | - | - | 888,000 | 15.10.2019 to 14.04.2029 | 7.324 |
| | 15.04.2019 to 14.07.2020 | 888,000 | - | - | - | 888,000 | 15.07.2020 to 14.04.2029 | 7.324 |
| 15.04.2020 | 15.04.2020 to 14.10.2020 | - | 882,000 | - | - | 882,000 | 15.10.2020 to 14.04.2030 | 3.648 |
| | 15.04.2020 to 14.07.2021 | - | 882,000 | - | - | 882,000 | 15.07.2021 to 14.04.2030 | 3.648 |

| Date of grant | Vesting period | No. of options during the period | | | | At 30.06.2020 | Exercise period | Exercise price per share HK\$ |
|-------------------------------|--------------------------|----------------------------------|-------|-----------|----------|---------------|--------------------------|----------------------------------|
| | | At 01.01.2020 | Grant | Exercised | Lapsed | | | |
| Category II: Employees | | | | | | | | |
| 12.01.2010 | 12.01.2010 to 11.07.2010 | 120,000 | - | (102,500) | (17,500) | - | 12.07.2010 to 11.01.2020 | 2.200 |
| | 12.01.2010 to 11.04.2011 | 120,000 | - | (102,500) | (17,500) | - | 12.04.2011 to 11.01.2020 | 2.200 |
| 08.10.2012 | 08.10.2012 to 07.10.2013 | 400,000 | - | - | - | 400,000 | 08.10.2013 to 07.10.2022 | 4.996 |
| | 08.10.2012 to 07.10.2014 | 880,000 | - | - | - | 880,000 | 08.10.2014 to 07.10.2022 | 4.996 |
| | 08.10.2012 to 07.10.2015 | 1,940,000 | - | - | - | 1,940,000 | 08.10.2015 to 07.10.2022 | 4.996 |
| 05.04.2013 | 05.04.2013 to 04.10.2013 | 150,000 | - | - | - | 150,000 | 05.10.2013 to 04.04.2023 | 5.620 |
| | 05.04.2013 to 04.07.2014 | 150,000 | - | - | - | 150,000 | 05.07.2014 to 04.04.2023 | 5.620 |
| 30.12.2013 | 30.12.2013 to 29.12.2014 | 604,000 | - | - | - | 604,000 | 30.12.2014 to 29.12.2023 | 7.300 |
| | 30.12.2013 to 29.12.2015 | 620,000 | - | - | - | 620,000 | 30.12.2015 to 29.12.2023 | 7.300 |
| | 30.12.2013 to 29.12.2016 | 650,000 | - | - | - | 650,000 | 30.12.2016 to 29.12.2023 | 7.300 |
| 07.10.2014 | 07.10.2014 to 29.06.2015 | 300,000 | - | - | - | 300,000 | 30.06.2015 to 06.10.2024 | 10.340 |
| | 07.10.2014 to 02.10.2015 | 250,000 | - | - | - | 250,000 | 03.10.2015 to 06.10.2024 | 10.340 |
| | 07.10.2014 to 29.06.2016 | 300,000 | - | - | - | 300,000 | 30.06.2016 to 06.10.2024 | 10.340 |
| | 07.10.2014 to 02.10.2016 | 250,000 | - | - | - | 250,000 | 03.10.2016 to 06.10.2024 | 10.340 |
| | 07.10.2014 to 02.10.2017 | 250,000 | - | - | - | 250,000 | 03.10.2017 to 06.10.2024 | 10.340 |

| Date of grant | Vesting period | No. of options during the period | | | | At 30.06.2020 | Exercise period | Exercise price per share HK\$ |
|--------------------------------------|-----------------------------|----------------------------------|-----------|-----------|-----------|---------------|-----------------------------|----------------------------------|
| | | At 01.01.2020 | Grant | Exercised | Lapsed | | | |
| 03.10.2017 | 03.10.2017 to 02.10.2018 | 250,000 | - | - | - | 250,000 | 03.10.2018 to 02.10.2027 | 6.190 |
| | 03.10.2017 to 02.10.2019 | 250,000 | - | - | - | 250,000 | 03.10.2019 to 02.10.2027 | 6.190 |
| | 03.10.2017 to 02.10.2020 | 250,000 | - | - | - | 250,000 | 03.10.2020 to 02.10.2027 | 6.190 |
| | 03.10.2017 to 02.10.2021 | 500,000 | - | - | - | 500,000 | 03.10.2021 to 02.10.2027 | 6.190 |
| 15.04.2020 | 15.04.2020 to 14.10.2021 | - | 3,525,000 | - | - | 3,525,000 | 15.10.2021 to 14.04.2030 | 3.648 |
| | 15.04.2020 to 14.04.2023 | - | 3,525,000 | - | - | 3,525,000 | 15.04.2023 to 14.04.2030 | 3.648 |
| Total | | 17,123,000 | 8,814,000 | (205,000) | (35,000) | 25,697,000 | | |
| Exercisable at the end of the period | | | | | | 15,245,000 | | |
| Weighted average exercise price | | HK\$7.411 | HK\$3.648 | HK\$2.200 | HK\$2.200 | HK\$6.169 | | |

The weighted average share price on which the options were exercised in HK\$4.58. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 April 2020 was HK\$3.53.

Particulars of share options

| Date of grant | Exercise period | Exercise price per share HK\$ |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 12.01.2010 | (i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 12.07.2010 – 11.01.2020 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 12.04.2011 – 11.01.2020 | 2.200 |
| 08.10.2012 | (i) 259,500 options exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 08.04.2013 – 07.10.2022 (ii) 259,500 options exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 08.01.2014 – 07.10.2022 (iii) 1,160,000 options exercisable during the period from 08.10.2013 – 07.10.2022 (iv) 2,230,000 options exercisable during the period from 08.10.2014 – 07.10.2022 (v) 2,650,000 options exercisable during the period from 08.10.2015 – 07.10.2022 | 4.996 |
| 05.04.2013 | (i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 05.10.2013 – 04.04.2023 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 05.07.2014 – 04.04.2023 | 5.620 |

| Date of grant | Exercise period | Exercise price | |
|---------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| | | per share HK\$ | |
| 30.12.2013 | (i) | 1,614,000 options: 50% exercisable not less than 6 months but not more than 10 years from the date of grant, i.e. 30.06.2014 – 29.12.2023; and in respect of the unexercised balance thereof be exercisable not less than 15 months but not more than 10 years from the date of grant, i.e. 30.03.2015 – 29.12.2023 | 7.300 |
| | (ii) | 669,000 options will be exercisable during the period from 30.12.2014 – 29.12.2023 | |
| | (iii) | 669,000 options will be exercisable during the period from 30.12.2015 – 29.12.2023 | |
| | (iv) | 702,000 options will be exercisable during the period from 30.12.2016 – 29.12.2023 | |
| 07.10.2014 | (i) | 600,000 options: 50% will be exercisable during the period from 30.06.2015 – 06.10.2024; and 50% will be exercisable during the period from 30.06.2016 – 06.10.2024 | 10.340 |
| | (ii) | 250,000 options will be exercisable during the period from 03.10.2015 – 06.10.2024 | |
| | (iii) | 250,000 options will be exercisable during the period from 03.10.2016 – 06.10.2024 | |
| | (iv) | 250,000 options will be exercisable during the period from 03.10.2017 – 06.10.2024 | |
| 31.03.2015 | (i) | 669,000 options will be exercisable during the period from 30.09.2015 – 30.03.2025 | 11.200 |
| | (ii) | 669,000 options will be exercisable during the period from 30.06.2016 – 30.03.2025 | |
| 31.03.2016 | (i) | 880,500 options will be exercisable during the period from 30.09.2016 – 30.03.2026 | 5.754 |
| | (ii) | 880,500 options will be exercisable during the period from 30.06.2017 – 30.03.2026 | |

| Date of grant | Exercise period | Exercise price | |
|---------------|-----------------|--------------------------------------------------------------------------------------|--------|
| | | per share | |
| | | HK\$ | |
| 13.04.2017 | (i) | 885,000 options will be exercisable during the period from 13.10.2017 – 12.04.2027 | 7.548 |
| | (ii) | 885,000 options will be exercisable during the period from 13.07.2018 – 12.04.2027 | |
| 03.10.2017 | (i) | 250,000 options will be exercisable during the period from 03.10.2018 – 02.10.2027 | 6.190 |
| | (ii) | 250,000 options will be exercisable during the period from 03.10.2019 – 02.10.2027 | |
| | (iii) | 250,000 options will be exercisable during the period from 03.10.2020 – 02.10.2027 | |
| | (iv) | 500,000 options will be exercisable during the period from 03.10.2021 – 02.10.2027 | |
| 13.04.2018 | (i) | 684,000 options will be exercisable during the period from 13.10.2018 – 12.04.2028 | 11.216 |
| | (ii) | 684,000 options will be exercisable during the period from 13.07.2019 – 12.04.2028 | |
| 15.04.2019 | (i) | 888,000 options will be exercisable during the period from 15.10.2019 – 14.04.2029 | 7.324 |
| | (ii) | 888,000 options will be exercisable during the period from 15.07.2020 – 14.04.2029 | |
| 15.04.2020 | (i) | 882,000 options will be exercisable during the period from 15.10.2020 – 14.04.2030 | 3.648 |
| | (ii) | 882,000 options will be exercisable during the period from 15.07.2021 – 14.04.2030 | |
| | (iii) | 3,525,000 options will be exercisable during the period from 15.10.2021 – 14.04.2030 | |
| | (iv) | 3,525,000 options will be exercisable during the period from 15.04.2023 – 14.04.2030 | |

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as the interest disclosed in the section headed "Director's and Chief Executive's Interests in Securities" below, at no time during the period ended 30 June 2020 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2020, the Directors and the chief executive of the Company and their associates had the following interest in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

(a) Long position in shares of the Company ("Shares")

| Name of director | Nature of interest | Number of | Approximate | |
|-------------------------|----------------------------------------------------|----------------------|-------------|----------------------------|
| | | ordinary shares held | Total | percentage of shareholding |
| Lee Siu Fong | Beneficial owner | 543,375 | | |
| | Interest held jointly with Leelalertsuphakun Wanee | 1,600,000 | | |
| | Interest of a controlled corporation (Note 1) | 114,000,625 | 116,144,000 | 19.75% |
| Leelalertsuphakun Wanee | Beneficial owner | 3,305,000 | | |
| | Interest held jointly with Lee Siu Fong | 1,600,000 | | |
| | Interest of a controlled corporation (Note 1) | 114,000,625 | 118,905,625 | 20.22% |
| Li Xiaoyi | Beneficial owner | 41,092,766 | | |
| | Family interest (Note 2) | 16,000,000 | | |
| | Others | 2,067,219 | 59,159,985 | 10.06% |
| Chan Yau Ching, Bob | Beneficial owner | 520,000 | 520,000 | 0.09% |
| Lam Yat Cheong | Beneficial owner | 300,000 | 300,000 | 0.05% |
| Tsim Wah Keung, Karl | Beneficial owner | 300,000 | 300,000 | 0.05% |
| Simon Miles Ball | Beneficial owner | 46,500 | 46,500 | 0.01% |

Notes:

- (1) 114,000,625 Shares are held through Huby Technology Limited ("**Huby Technology**"). Huby Technology is an investment holding company jointly owned by Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee.
- (2) These Shares are held by High Knowledge Investments Limited which is wholly owned by Dr. Li Xiaoyi's spouse, Ms. Lue Shuk Ping, Vicky ("**Ms. Lue**"). The interest held by Ms. Lue is deemed to be part of the interest of Dr. Li Xiaoyi.

(b) Long position in underlying Shares – share options of the Company

Under the share option schemes of the Company, the following Directors of the Company have personal interest in options to subscribe for the Shares. Details of the share options granted to them are as follows:

| Name of director | Date of grant | Exercisable period (Note) | Balance | During the period | | Balance | Exercise price per share HK\$ |
|----------------------------|------------------|------------------------------|----------------------------|-------------------|-----------|--------------------------|-------------------------------------|
| | | | as at 1 January 2020 | Granted | Exercised | as at 30 June 2020 | |
| Lee Siu Fong | 30 December 2013 | (1) | 538,000 | - | - | 538,000 | 7.300 |
| | 31 March 2015 | (2) | 446,000 | - | - | 446,000 | 11.200 |
| | 31 March 2016 | (3) | 587,000 | - | - | 587,000 | 5.754 |
| | 13 April 2017 | (4) | 590,000 | - | - | 590,000 | 7.548 |
| | 13 April 2018 | (5) | 456,000 | - | - | 456,000 | 11.216 |
| | 15 April 2019 | (6) | 592,000 | - | - | 592,000 | 7.324 |
| | 15 April 2020 | (7) | - | 588,000 | - | 588,000 | 3.648 |
| | | | 3,209,000 | 588,000 | - | 3,797,000 | |
| Leelalertsuphakun Wanee | 30 December 2013 | (1) | 338,000 | - | - | 338,000 | 7.300 |
| | 31 March 2015 | (2) | 446,000 | - | - | 446,000 | 11.200 |
| | 31 March 2016 | (3) | 587,000 | - | - | 587,000 | 5.754 |
| | 13 April 2017 | (4) | 590,000 | - | - | 590,000 | 7.548 |
| | 13 April 2018 | (5) | 456,000 | - | - | 456,000 | 11.216 |
| | 15 April 2019 | (6) | 592,000 | - | - | 592,000 | 7.324 |
| | 15 April 2020 | (7) | - | 588,000 | - | 588,000 | 3.648 |
| | | | 3,009,000 | 588,000 | - | 3,597,000 | |
| Li Xiaoyi | 31 March 2015 | (2) | 446,000 | - | - | 446,000 | 11.200 |
| | 31 March 2016 | (3) | 587,000 | - | - | 587,000 | 5.754 |
| | 13 April 2017 | (4) | 590,000 | - | - | 590,000 | 7.548 |
| | 13 April 2018 | (5) | 456,000 | - | - | 456,000 | 11.216 |
| | 15 April 2019 | (6) | 592,000 | - | - | 592,000 | 7.324 |
| | 15 April 2020 | (7) | - | 588,000 | - | 588,000 | 3.648 |
| | | | 2,671,000 | 588,000 | - | 3,259,000 | |

Notes:

- (1) Divided into 2 tranches exercisable from 30 June 2014 and 30 March 2015 respectively to 29 December 2023.
- (2) Divided into 2 tranches exercisable from 30 September 2015 and 30 June 2016 respectively to 30 March 2025.
- (3) Divided into 2 tranches exercisable from 30 September 2016 and 30 June 2017 respectively to 30 March 2026.
- (4) Divided into 2 tranches exercisable from 13 October 2017 and 13 July 2018 respectively to 12 April 2027.
- (5) Divided into 2 tranches exercisable from 13 October 2018 and 13 July 2019 respectively to 12 April 2028.
- (6) Divided into 2 tranches exercisable from 15 October 2019 and 15 July 2020 respectively to 14 April 2029.
- (7) Divided into 2 tranches exercisable from 15 October 2020 and 15 July 2021 respectively to 14 April 2030.

(c) As at 30 June 2020, Dr. Li Xiaoyi had beneficial interest in (a) 12,740 ordinary shares in Powder Pharmaceuticals Incorporated; and (b) 830 share options which can be converted into 830 ordinary shares of Powder Pharmaceuticals Incorporated when exercised.

(d) Save as disclosed above, no interests and short positions were held or deemed to be taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the Shares and the underlying shares of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2020, the following parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO:

(a) Long position in Shares

| Name | Capacity | Number of ordinary shares held | Approximate percentage of shareholding |
|----------------------------------------|-----------------------------------------------|--------------------------------|----------------------------------------|
| Huby Technology Limited | Beneficial owner | 114,000,625 | 19.38% |
| Assicurazioni Generali S.p.A | Interest of a controlled Corporation | 81,405,000 | 13.84% |
| Li Zhenfu | Interest of a controlled corporation | 81,405,000 | 13.84% |
| Lion River I N.V. | Interest of a controlled corporation | 81,405,000 | 13.84% |
| GL Partners Capital Management Limited | Interest of a controlled corporation | 76,165,488 | 12.95% |
| Apta Finance S.A. | Interest of a controlled corporation | 58,833,898 | 10.00% |
| Cavazza Paolo | Interest of a controlled corporation | 58,833,898 | 10.00% |
| Paponi Claudia | Family interest | 58,833,898 | 10.00% |
| Qualister SA | Beneficial owner | 52,929,577 | 9.00% |
| Golden Sand Capital Joy Corporation | Beneficial owner | 37,209,935 | 6.33% |
| Golden Sand Capital Ltd | Interest of a controlled corporation | 37,209,935 | 6.33% |
| Wu Sonny | Interest of a controlled corporation | 37,209,935 | 6.33% |
| High Knowledge Investments Limited | Beneficial owner (Note 1) | 16,000,000 | 2.72% |
| Lue Shuk Ping, Vicky | Interest of a controlled corporation (Note 1) | 16,000,000 | 2.72% |
| | Family interest (Note 2) | 43,159,985 | 7.34% |

Notes:

- (1) These Shares are legally owned by High Knowledge Investments Limited, which is entirely and beneficially owned by Dr. Li Xiaoyi's spouse, Ms. Lue.
- (2) These Shares are owned by Ms. Lue's spouse, Dr. Li Xiaoyi.

(b) Long position in underlying shares – share options of the Company

| Name | Capacity | Number of ordinary shares held | Approximate percentage of shareholding |
|----------------------|--------------------------|---------------------------------------|-----------------------------------------------|
| Lue Shuk Ping, Vicky | Family interest (Note 1) | 3,259,000 | 0.55% |

Note:

- (1) These share options are owned by Ms. Lue's spouse, Dr. Li Xiaoyi.

(c) Short position in Shares

No short positions of other persons and substantial shareholders in the Shares or underlying shares of the Company and its associated corporations were recorded in the register.

Saved as disclosed above, as at 30 June 2020, the Directors are not aware of any other person or corporation having an interest or short position in Shares and underlying shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 2020.

INTERIM DIVIDEND

The Board recommended an interim dividend of HK\$0.027 (2019: HK\$0.018) per share to shareholders registered in the Company's register of members as at the close of business on Thursday, 17 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 16 September 2020 to Thursday, 17 September 2020 (both days inclusive). In order to establish entitlements to the interim dividend, all transfer 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 Tuesday, 15 September 2020. Interim dividend will be paid on Wednesday, 30 September 2020 to shareholders registered in the Company's register of members as at the close of business on Thursday, 17 September 2020.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, wither directly or indirectly, with the business of the Group, as defined in the Listing Rules, or has any other conflict of interests with the Group during the period ended 30 June 2020.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of Main Board Listing Rules throughout the six months ended 30 June 2020, with deviations from provision A.5 of the CG Code. Under provision A.5 of the CG Code, a nomination committee should be established to make recommendations to the Board on the appointment and reappointment of directors. The Board as a whole is responsible for the appointment of its own members. The Board does not establish a Nomination Committee and is not considering to establish the same in view of the small size of the Board. The Chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration. The Board will review profiles of the candidates recommended by the Chairman and make recommendation the appointment, re-election and retirement of the directors. Candidates are appointed to the Board on the basis of their skill, competence, experience and diversity of perspectives that they can contribute to the Company.

As at the date of this report, the Board comprises the follow directors:

Executive directors

Ms. Lee Siu Fong (*Chairman*)

Ms. Leelalertsuphakun Waneek

Dr. Li Xiaoyi

Non-executive director

Mr. Simon Miles Ball

Independent non-executive directors

Dr. Chan Yau Ching, Bob

Mr. Lam Yat Cheong

Dr. Tsim Wah Keung, Karl

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

Hong Kong, 27 August 2020

Report on Review of Condensed Consolidated Financial Statements

恒健會計師行有限公司

HLM CPA LIMITED

Certified Public Accountants

Rooms 1501–8, 15th Floor, Tai Yau Building
181 Johnston Road, Wanchai, Hong Kong
香港灣仔莊士敦道181號
大有大廈15樓1501–8室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: info@hlm.com.hk

TO THE BOARD OF DIRECTORS OF LEE'S PHARMACEUTICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Lee's Pharmaceutical Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 29 to 58, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion, based on our review, on these condensed consolidated financial statements solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

HLM CPA Limited

Certified Public Accountants

Chan Lap Chi

Practising Certificate number: P04084

Hong Kong, 27 August 2020

Condensed Consolidated Statement of Profit or Loss

For the three months and six months ended 30 June 2020

| | Notes | For the three months ended 30 June | | For the six months ended 30 June | |
|----------------------------------------------------------|-------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Revenue | 5 | 283,732 | 324,593 | 556,716 | 607,534 |
| Cost of sales | | (98,631) | (111,263) | (191,097) | (205,207) |
| Gross profit | | 185,101 | 213,330 | 365,619 | 402,327 |
| Other income | 6 | 51,318 | 19,474 | 63,628 | 30,452 |
| Other gains and losses, net | | (3,900) | (107,143) | (5,389) | (109,964) |
| Selling and distribution expenses | | (56,207) | (59,706) | (122,136) | (108,063) |
| Administrative expenses | | (61,338) | (54,708) | (111,133) | (104,698) |
| Net provision for impairment loss on financial assets | | (376) | (614) | (587) | (763) |
| Research and development expenses | | (49,792) | (44,374) | (75,160) | (78,812) |
| Profit (loss) from operations | | 64,806 | (33,741) | 114,842 | 30,479 |
| Finance costs | | (1,963) | (1,487) | (3,545) | (2,691) |
| Share of results of associates | | (2,977) | (2,598) | (6,039) | (5,156) |
| Profit (loss) before taxation | 7 | 59,866 | (37,826) | 105,258 | 22,632 |
| Taxation | 8 | (17,923) | (12,606) | (29,317) | (29,448) |
| Profit (loss) for the period | | 41,943 | (50,432) | 75,941 | (6,816) |
| Attributable to: | | | | | |
| Owners of the Company | | 57,086 | (8,660) | 96,982 | 38,294 |
| Non-controlling interests | | (15,143) | (41,772) | (21,041) | (45,110) |
| | | 41,943 | (50,432) | 75,941 | (6,816) |
| | | HK cents | HK cents | HK cents | HK cents |
| Earnings (loss) per share: | | | | | |
| Basic | 10 | 9.71 | (1.46) | 16.49 | 6.47 |
| Diluted | 10 | 9.71 | (1.46) | 16.49 | 6.46 |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and six months ended 30 June 2020

| | For the three months ended 30 June | | For the six months ended 30 June | |
|-------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Profit (loss) for the period | 41,943 | (50,432) | 75,941 | (6,816) |
| Other comprehensive income (expense): | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| – Exchange differences on translation of financial statements of overseas subsidiaries | 213 | (29,245) | (23,937) | 7,456 |
| – Share of other comprehensive income (expense) of associates | 13 | - | (86) | - |
| – Reclassification of exchange reserve upon disposal of an overseas subsidiary | (19) | - | (19) | - |
| Item that will not be reclassified subsequently to profit or loss: | | | | |
| – Fair value changes of financial assets at fair value through other comprehensive income | (89,192) | 21,539 | (215,808) | (38,671) |
| Other comprehensive expense for the period, net of tax | (88,985) | (7,706) | (239,850) | (31,215) |
| Total comprehensive expense for the period | (47,042) | (58,138) | (163,909) | (38,031) |
| Total comprehensive (expense) income for the period attributable to: | | | | |
| Owners of the Company | (28,278) | (17,767) | (131,274) | 8,908 |
| Non-controlling interests | (18,764) | (40,371) | (32,635) | (46,939) |
| | (47,042) | (58,138) | (163,909) | (38,031) |

Condensed Consolidated Statement of Financial Position

At 30 June 2020

| | | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|-------------------------------------------------------------------|----|--------------------------------------------------|----------------------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 784,612 | 796,309 |
| Intangible assets | 11 | 778,986 | 694,617 |
| Goodwill | | 6,242 | 3,900 |
| Interests in associates | 12 | 9,768 | 15,802 |
| Financial assets at fair value through profit or loss | | 60,789 | 59,217 |
| Financial assets at fair value through other comprehensive income | | 404,533 | 614,921 |
| Deferred tax assets | | 18,957 | 14,198 |
| | | 2,063,887 | 2,198,964 |
| Current assets | | | |
| Inventories | | 294,103 | 255,585 |
| Trade receivables | 13 | 152,638 | 153,039 |
| Other receivables, deposits and prepayments | | 263,894 | 174,440 |
| Advance to associates | | 48,414 | 42,738 |
| Pledged bank deposits | | 52,260 | 40,345 |
| Time deposits | | 270,471 | 410,136 |
| Cash and bank balances | | 361,809 | 364,994 |
| | | 1,443,589 | 1,441,277 |
| Current liabilities | | | |
| Trade payables | 14 | 75,986 | 80,145 |
| Other payables and accruals | | 616,628 | 605,187 |
| Bank and other borrowings | 15 | 188,560 | 144,834 |
| Lease liabilities | | 8,097 | 9,745 |
| Tax payables | | 20,471 | 68,582 |
| | | 909,742 | 908,493 |
| Net current assets | | 533,847 | 532,784 |
| Total assets less current liabilities | | 2,597,734 | 2,731,748 |

| | <i>Note</i> | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|-------------------------------------------------------------|-------------|--------------------------------------------------|----------------------------------------------------|
| Capital and reserves | | | |
| Share capital | 16 | 29,406 | 29,396 |
| Reserves | | 2,118,202 | 2,266,504 |
| Equity attributable to the owners of the Company | | | |
| | | 2,147,608 | 2,295,900 |
| Non-controlling interests | | 175,988 | 181,538 |
| Total equity | | 2,323,596 | 2,477,438 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 81,995 | 71,631 |
| Lease liabilities | | 9,704 | 13,364 |
| Derivative financial liabilities | | 80,085 | 80,085 |
| Retirement benefits | | 102,354 | 89,230 |
| | | 274,138 | 254,310 |
| | | 2,597,734 | 2,731,748 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

| | Attributable to the owners of the Company | | | | | | | | | | Attributable to non-controlling interests | Total |
|-------------------------------------------------------------------------------------------|-------------------------------------------|---------------|-------------------|----------------------|----------------|---------------------|------------------|------------------|-----------|----------|-------------------------------------------|-------|
| | Share capital | Share premium | Merger difference | Share-based | Investments | | Exchange reserve | Retained profits | Sub-total | | | |
| | | | | compensation reserve | Other reserves | revaluation reserve | | | | | | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1 January 2020 (audited) | 29,396 | 714,146 | 9,200 | 23,675 | 157,404 | (8,386) | (97,707) | 1,468,172 | 2,295,900 | 181,538 | 2,477,438 | |
| Employee share option benefits | - | - | - | 4,858 | - | - | - | - | 4,858 | - | 4,858 | |
| Exercise of share options | 10 | 667 | - | (231) | - | - | - | - | 446 | - | 446 | |
| Share options lapsed | - | - | - | (39) | - | - | - | 39 | - | - | - | |
| Share of reserve of an associate | - | - | - | - | 27 | - | - | - | 27 | - | 27 | |
| Capital contribution from non-controlling interests | - | - | - | - | - | - | - | - | - | 31,226 | 31,226 | |
| Acquisition of a subsidiary | - | - | - | - | - | - | - | - | - | (2,250) | (2,250) | |
| Disposal of a subsidiary | - | - | - | - | - | - | - | - | - | (1,891) | (1,891) | |
| Profit (loss) for the period | - | - | - | - | - | - | - | 96,982 | 96,982 | (21,041) | 75,941 | |
| Other comprehensive expense for the period | | | | | | | | | | | | |
| - Exchange differences on translation of financial statements of overseas subsidiaries | - | - | - | - | - | - | (21,329) | - | (21,329) | (2,608) | (23,937) | |
| - Share of other comprehensive expense of associates | - | - | - | - | (86) | - | - | - | (86) | - | (86) | |
| - Reclassification of exchange reserve upon disposal of an overseas subsidiary | - | - | - | - | - | - | (19) | - | (19) | - | (19) | |
| - Fair value changes of financial assets at fair value through other comprehensive income | - | - | - | - | - | (206,822) | - | - | (206,822) | (8,986) | (215,808) | |
| Total comprehensive (expense) income for the period | - | - | - | - | (86) | (206,822) | (21,348) | 96,982 | (131,274) | (32,635) | (163,909) | |
| 2019 final dividend paid | - | - | - | - | - | - | - | (22,349) | (22,349) | - | (22,349) | |
| At 30 June 2020 (unaudited) | 29,406 | 714,813 | 9,200 | 28,263 | 157,345 | (215,208) | (119,055) | 1,542,844 | 2,147,608 | 175,988 | 2,323,596 | |

Attributable to the owners of the Company

| | 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 | interests | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2019 (audited) | 29,601 | 731,771 | 9,200 | 18,661 | 64,787 | 33,726 | (80,236) | 1,403,033 | 2,210,543 | 27,526 | 2,238,069 |
| Employee share option benefits | - | - | - | 2,638 | - | - | - | - | 2,638 | - | 2,638 |
| Exercise of share options | 14 | 1,828 | - | (448) | - | - | - | - | 1,394 | - | 1,394 |
| Share of reserve of an associate | - | - | - | - | 28 | - | - | - | 28 | - | 28 |
| Gain on deemed disposal of interests in subsidiaries | - | - | - | - | 92,545 | - | - | - | 92,545 | 218,412 | 310,957 |
| Capital contribution from non-controlling interests | - | - | - | - | - | - | - | - | - | 2,278 | 2,278 |
| Profit (loss) for the period | - | - | - | - | - | - | - | 38,294 | 38,294 | (45,110) | (6,816) |
| Other comprehensive income (expense) for the period | | | | | | | | | | | |
| - Exchange differences on translation of financial statements of overseas subsidiaries | - | - | - | - | - | - | 7,421 | - | 7,421 | 35 | 7,456 |
| - Fair value changes of financial assets at fair value through other comprehensive income | - | - | - | - | - | (36,807) | - | - | (36,807) | (1,864) | (38,671) |
| Total comprehensive (expense) income for the period | - | - | - | - | - | (36,807) | 7,421 | 38,294 | 8,908 | (46,939) | (38,031) |
| 2018 final dividend paid | - | - | - | - | - | - | - | (49,754) | (49,754) | - | (49,754) |
| At 30 June 2019 (unaudited) | 29,615 | 733,599 | 9,200 | 20,851 | 157,360 | (3,081) | (72,815) | 1,391,573 | 2,266,302 | 201,277 | 2,467,579 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

| | 30 June 2020 HK\$'000 (unaudited) | 30 June 2019 HK\$'000 (unaudited) |
|------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Operating activities | | |
| Cash generated from operations | 44,966 | 185,307 |
| Interest paid | (2,923) | (2,125) |
| Income tax (paid) refund, net | (70,693) | 8,882 |
| Net cash (used in) generated from operating activities | (28,650) | 192,064 |
| Investing activities | | |
| Purchase of property, plant and equipment | (38,717) | (23,424) |
| Payment for construction in progress | (14,517) | (31,218) |
| Additions to development cost and license fees | (99,793) | (137,285) |
| Decrease in time deposits with initial terms of over three months | 43,920 | 127,270 |
| Other cash flows arising from investing activities | (5,525) | (286) |
| Net cash used in investing activities | (114,632) | (64,943) |
| Financing activities | | |
| Dividends paid | (22,349) | (49,754) |
| Net proceeds from deemed disposal of interests in subsidiaries without losing control | – | 397,593 |
| Other cash flows arising from financing activities | 70,942 | 1,265 |
| Net cash generated from financing activities | 48,593 | 349,104 |
| Net (decrease) increase in cash and cash equivalents | (94,689) | 476,225 |
| Cash and cash equivalents at 1 January | 693,516 | 222,296 |
| Effect of foreign exchange rate changes | (2,748) | 2,295 |
| Cash and cash equivalents at 30 June | 596,079 | 700,816 |
| Analysis of cash and cash equivalents: | | |
| Cash and bank balances | 361,809 | 427,816 |
| Time deposits | 270,471 | 355,008 |
| | 632,280 | 782,824 |
| Less: Time deposits with original maturity more than three months | (36,201) | (82,008) |
| | 596,079 | 700,816 |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 2019.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2019 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKASs and Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant for the preparation of the Group’s unaudited condensed consolidated financial statements:

| | |
|--------------------------------------------|--------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

The application of these new and amendments to HKASs and HKFRSs 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 HKASs and HKFRSs that have been issued but are not yet effective:

| | |
|------------------------------------|----------------------------------------------------------------------------------------------------|
| HKFRS 17 | Insurance Contracts ² |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current ⁴ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵ |
| Amendments to HKFRS 16 | COVID-19-Related Rent Concessions ¹ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 ³ |

¹ Effective for annual periods beginning on or after 1 June 2020, earlier application is permitted

² Effective for annual periods beginning on or after 1 January 2021, earlier application is permitted

³ Effective for annual periods beginning on or after 1 January 2022, earlier application is permitted

⁴ Effective for annual periods beginning on or after 1 January 2023, earlier application is permitted

⁵ Effective for annual periods beginning on or after a date to be determined

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The unaudited condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

There have been no significant changes in any risk management policies of the Group since the year end.

Financial assets and liabilities measured at fair value

The following tables present the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

| | Fair value at 30 June 2020 HK\$'000 (unaudited) | Fair value measurements as at 30 June 2020 categorised into | | |
|-------------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------|------------------------------------|------------------------------------|
| | | Level 1 HK\$'000 (unaudited) | Level 2 HK\$'000 (unaudited) | Level 3 HK\$'000 (unaudited) |
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Club membership debenture | 3,200 | - | 3,200 | - |
| - Convertible instruments | 3,813 | - | 3,813 | - |
| - Investments in life insurance policies | 4,553 | - | 4,553 | - |
| - Unlisted warrants | 49,223 | - | 48,161 | 1,062 |
| Financial assets at fair value through other comprehensive income | | | | |
| - Listed overseas equity securities | 276,561 | 276,561 | - | - |
| - Unlisted equity securities | 53,787 | - | - | 53,787 |
| - Unlisted partnership investments | 74,185 | - | - | 74,185 |
| Financial liabilities: | | | | |
| Derivative financial liabilities | 80,085 | - | - | 80,085 |
| Retirement benefits | 102,354 | - | - | 102,354 |

| | Fair value at 31 December 2019 HK\$'000 (audited) | Fair value measurements as at 31 December 2019 categorised into | | |
|-------------------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------|----------------------------------|
| | | Level 1 HK\$'000 (audited) | Level 2 HK\$'000 (audited) | Level 3 HK\$'000 (audited) |
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Club membership debenture | 3,800 | - | 3,800 | - |
| - Convertible instruments | 2,543 | - | 2,543 | - |
| - Investments in life insurance policies | 3,651 | - | 3,651 | - |
| - Unlisted warrants | 49,223 | - | 48,161 | 1,062 |
| Financial assets at fair value through other comprehensive income | | | | |
| - Listed overseas equity securities | 478,594 | 478,594 | - | - |
| - Unlisted equity securities | 60,377 | - | - | 60,377 |
| - Unlisted partnership investments | 75,950 | - | - | 75,950 |
| Financial liabilities: | | | | |
| Derivative financial liabilities | 80,085 | - | - | 80,085 |
| Retirement benefits | 89,230 | - | - | 89,230 |

During the six months ended 30 June 2020, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

During the six months ended 30 June 2020, there were no transfers between levels of fair value hierarchy and no changes in valuation techniques in financial assets or financial liabilities.

5. 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 | |
|----------------------------------------------|-------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Segment revenue | 217,682 | 271,007 | 339,034 | 336,527 | 556,716 | 607,534 |
| Segment operating results | 89,918 | 127,930 | 129,364 | 103,239 | 219,282 | 231,169 |
| Research and development expenses | (10,137) | (14,616) | (65,023) | (64,196) | (75,160) | (78,812) |
| Impairment of intangible assets | - | - | - | (108,564) | - | (108,564) |
| Segment results | 79,781 | 113,314 | 64,341 | (69,521) | 144,122 | 43,793 |
| Unallocated income | | | | | 6,661 | 5,929 |
| Unallocated expenses | | | | | (35,941) | (19,243) |
| Profit from operations | | | | | 114,842 | 30,479 |
| Finance costs | | | | | (3,545) | (2,691) |
| Profit before share of results of associates | | | | | 111,297 | 27,788 |
| Share of results of associates | | | | | (6,039) | (5,156) |
| Profit before taxation | | | | | 105,258 | 22,632 |
| Taxation | | | | | (29,317) | (29,448) |
| Profit (loss) for the period | | | | | 75,941 | (6,816) |

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 2019: 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 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) | 30 June 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) | 30 June 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) |
| Segment assets | 686,453 | 614,902 | 1,937,309 | 2,011,921 | 2,623,762 | 2,626,823 |
| Unallocated assets | | | | | 883,714 | 1,013,418 |
| Total assets | | | | | 3,507,476 | 3,640,241 |
| Segment liabilities | 252,691 | 286,811 | 457,725 | 421,630 | 710,416 | 708,441 |
| Unallocated liabilities | | | | | 473,464 | 454,362 |
| Total liabilities | | | | | 1,183,880 | 1,162,803 |

Geographical information

During the six months ended 30 June 2020 and 2019, 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 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) | 30 June 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) | 30 June 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) |
| Total assets | 1,993,251 | 2,010,685 | 1,514,225 | 1,629,556 | 3,507,476 | 3,640,241 |
| Total liabilities | 548,034 | 550,134 | 635,846 | 612,669 | 1,183,880 | 1,162,803 |

6. OTHER INCOME

| | For the three months ended 30 June | | For the six months ended 30 June | |
|-----------------------------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Interest income on: | | | | |
| Bank deposits | 1,999 | 1,772 | 4,766 | 3,220 |
| Loan interest income | – | 229 | – | 486 |
| Advance to associates | 490 | 379 | 916 | 755 |
| Total interest income | 2,489 | 2,380 | 5,682 | 4,461 |
| Compensation income | 41,208 | – | 41,208 | – |
| Development and government grants | 3,598 | 1,271 | 11,648 | 7,033 |
| Incentives from vendor | – | 2,116 | – | 2,116 |
| Rental and utilities income from associate | 313 | – | 613 | – |
| Research and development service income | 2,275 | 13,369 | 2,305 | 16,235 |
| Sundry income | 1,435 | 338 | 2,172 | 607 |
| | 51,318 | 19,474 | 63,628 | 30,452 |

7. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging (crediting) the following items:

| Notes | For the three months ended 30 June | | For the six months ended 30 June | |
|-------------------------------------------------------------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Depreciation of property, plant and equipment (including right-of-use assets) | 24,492 | 20,650 | 47,843 | 40,894 |
| Amortisation of intangible assets | 4,286 | 2,378 | 7,282 | 4,632 |
| Total depreciation and amortisation | 28,778 | 23,028 | 55,125 | 45,526 |
| Gain on deemed disposal of an associate | (64) | - | (64) | - |
| Impairment of intangible assets | 11 | 108,564 | - | 108,564 |
| Interest expenses on borrowings | 1,373 | 1,194 | 2,588 | 2,240 |
| Interest expenses on lease liabilities | 166 | 81 | 358 | 167 |
| Loss on disposal of a subsidiary | 18 | - | 1,720 | - |
| Share-based payments | 3,472 | 1,376 | 4,858 | 2,638 |
| - Directors | 2,304 | 771 | 3,094 | 1,424 |
| - Employees | 1,168 | 605 | 1,764 | 1,214 |

8. TAXATION

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---------------------------------------------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Current tax | | | | |
| Hong Kong Profits Tax | 15,584 | 9,223 | 22,826 | 15,811 |
| PRC Enterprise Income Tax | – | 5,055 | – | 6,130 |
| | 15,584 | 14,278 | 22,826 | 21,941 |
| Over provision in prior years | | | | |
| PRC Enterprise Income Tax | (228) | (3,094) | (228) | (3,094) |
| Deferred tax | | | | |
| Origination and reversal of temporary differences | 2,567 | 1,422 | 6,719 | 10,601 |
| | 17,923 | 12,606 | 29,317 | 29,448 |

Hong Kong Profits Tax for the three and six months ended 30 June 2020 is calculated at 8.25% (three and six months ended 30 June 2019: 8.25%) on the first HK\$2 million of the estimated assessable profits and at 16.5% (three and six months ended 30 June 2019: 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.

9. DIVIDENDS

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Interim dividend declared – HK\$0.027 (2019: HK\$0.018) per ordinary share based on issued share capital at the end of the reporting period | 15,879 | 10,662 | 15,879 | 10,662 |

Interim dividend will be payable on 30 September 2020 to shareholders registered in the Company's register of members as at the close of business on 17 September 2020. 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. 2019 final dividend of HK\$0.038 per share, totalling HK\$22,349,000 was paid on 15 June 2020.

10. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) 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 | |
|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| <i>Earnings (loss):</i> | | | | |
| Net profit (loss) attributable to the owners of the Company for the purpose of basic and diluted earnings (loss) per share | 57,086 | (8,660) | 96,982 | 38,294 |

| | For the three months ended 30 June | | For the six months ended 30 June | |
|-------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| | 2020 Share(s) '000 (unaudited) | 2019 Share(s) '000 (unaudited) | 2020 Share(s) '000 (unaudited) | 2019 Share(s) '000 (unaudited) |
| <i>Number of shares:</i> | | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share | 588,125 | 592,309 | 588,115 | 592,207 |
| Effect of dilutive potential ordinary shares: | | | | |
| Options | – | N/A | 6 | 1,015 |
| Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share | 588,125 | 592,309 | 588,121 | 593,222 |

No adjustment was made in calculating diluted loss per share for the three months ended 30 June 2019 as the exercise of share options would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(a) Right-of-use assets

During the six months ended 30 June 2020, the Group entered into a number of lease agreements and therefore recognised the additions to right-of-use assets of HK\$1 million (six months ended 30 June 2019: HK\$4 million).

(b) Owned property, plant and equipment

During the six months ended 30 June 2020, additions to owned property, plant and equipment amount to HK\$53 million (six months ended 30 June 2019: HK\$55 million).

(c) Intangible assets

During the six months ended 30 June 2020, additions to intangible assets amount to HK\$100 million (six months ended 30 June 2019: HK\$137 million), which consist of both license fees and development cost.

There is no impairment of intangible assets for the six months ended 30 June 2020 (six months ended 30 June 2019: impairment of intangible assets for HK\$108.6 million, which was caused by the recommended discontinued study of PHOCUS study).

12. INTERESTS IN ASSOCIATES

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

| | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|------------------------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| Cost of investment, unlisted | 93,509 | 93,445 |
| Share of post-acquisition loss and other comprehensive income, net of dividends received | (83,991) | (77,866) |
| Share of associate's reserves | 250 | 223 |
| | 9,768 | 15,802 |

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 2020 | 31 December 2019 | 30 June 2020 | 31 December 2019 | |
| | | | | | | |
| 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 | British Virgin Islands/ Hong Kong | 23.79% | 24.12% | 23.79% | 24.12% | Operating a central pharmacy for compounding radiopharmaceuticals |

13. TRADE RECEIVABLES

The Group allows an average credit period of 30–120 days to its trade customers. The fair value of the Group's trade receivables at 30 June 2020 and 31 December 2019 approximates to the corresponding carrying amount.

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:

| | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|---------------------------------|--------------------------------------------------|----------------------------------------------------|
| 0–30 days | 72,331 | 74,044 |
| 31–120 days | 62,428 | 67,541 |
| 121–180 days | 13,996 | 11,196 |
| 181–365 days | 3,876 | 222 |
| Over 365 days and under 3 years | 7 | 36 |
| | 152,638 | 153,039 |

14. TRADE PAYABLES

The average credit period on purchases of certain goods is 90 days. The fair value of the Group's trade payables as at 30 June 2020 and 31 December 2019 approximates to the corresponding carrying amount.

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

| | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|---------------|--------------------------------------------------|----------------------------------------------------|
| 0-90 days | 75,760 | 79,948 |
| 91-180 days | 38 | - |
| 181-365 days | - | - |
| Over 365 days | 188 | 197 |
| | 75,986 | 80,145 |

15. BANK AND OTHER BORROWINGS

| | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|--------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| Carrying amount of the borrowings are repayable: | | |
| Within one year | 104,333 | 87,428 |
| More than one year but not exceeding two years | 25,763 | 21,406 |
| More than two years but not exceeding five years | 58,464 | 36,000 |
| | 188,560 | 144,834 |

As all 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 HK – Interpretation 5 which requires the classification of whole borrowings containing the Repayment on Demand Clause as current liabilities, all the bank borrowings were classified as current liabilities.

The carrying amounts of bank and other borrowings are denominated in Hong Kong Dollars and United States Dollars.

The effective interest rates of the bank and other borrowings range from 1.75% to 3.56% (31 December 2019: 2.88% to 4.33%) per annum.

16. SHARE CAPITAL

| | Number of shares | | Share capital | |
|---------------------------------------------------|--------------------------------------|----------------------------------------|--------------------------------------------------|----------------------------------------------------|
| | At 30 June 2020 (unaudited) | At 31 December 2019 (audited) | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
| <i>Authorised:</i> | | | | |
| Ordinary shares of HK\$0.05 each | 1,000,000,000 | 1,000,000,000 | 50,000 | 50,000 |
| <i>Issued and fully paid:</i> | | | | |
| At beginning of the period/year | 587,920,343 | 592,029,343 | 29,396 | 29,601 |
| Exercise of share options | 205,000 | 280,000 | 10 | 14 |
| Repurchase and cancellation of ordinary shares | – | (4,389,000) | – | (219) |
| At end of the period/year | 588,125,343 | 587,920,343 | 29,406 | 29,396 |

17. RELATED PARTY TRANSACTIONS

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

(a) Transaction with associates

| | For the six months ended 30 June | |
|-----------------------------|-------------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Interest income | 916 | 755 |
| Rental and utilities income | 613 | – |

(b) Compensation of key management personnel

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

| | For the six months ended 30 June | |
|-----------------------------------------------|---------------------------------------------|------------------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Short-term employee benefits | 11,886 | 9,786 |
| Share-based payments | 3,094 | 1,424 |
| Retirement and other post-employment benefits | 13,142 | 6,329 |
| – Defined contribution plan | 18 | 21 |
| – Retirement benefits | 13,124 | 6,308 |
| | 28,122 | 17,539 |

(c) Donation to Lee's Pharmaceutical – Kanya Lee Scholarship Limited ("Kanya Lee Scholarship")

During the six months ended 30 June 2020, total HK\$1,175,000 (six months ended 30 June 2019: HK\$2,169,000) was donated to Kanya Lee Scholarship. Dr. Li Xiaoyi, director of the Company, is also a member of key management of Kanya Lee Scholarship and Kanya Lee Scholarship is considered as a related party to the Group.

(d) Issue of subsidiary's shares to Perfect Concept Holdings Limited ("PCH")

During the period under review, China Oncology Focus Limited, on a pro rata basis, issued 18,620 shares to PCH. Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi are both the directors of the Company and the substantial shareholders of PCH and PCH is considered as a related party to the Group. Total consideration received for the issue of shares is US\$4,003,300 (equivalent to approximately HK\$31,226,000).

(e) Interest expenses for shareholder loans from PCH

During the period under review, included in finance costs there was interest expenses for loans from PCH amounting to HK\$147,000 (six months ended 30 June 2019: HK\$115,000).

18. DISPOSAL OF A SUBSIDIARY

In April 2020, the Group fully disposed its interests in Inner Mongolia Zhaoke Livestock Development Limited to an independent third party at cash consideration of RMB1,012,000 (equivalent to approximately HK\$1,097,000), and recorded a loss on disposal of a subsidiary of approximately HK\$1,720,000 in profit or loss grouped under the line "other gains and losses, net".

Consideration received

| | HK\$'000 |
|------|----------|
| Cash | 1,097 |

Analysis of assets and liabilities over which control was lost

| | HK\$'000 |
|------------------------------------------------------------------|----------|
| Property, plant and equipment (including right-of-use assets) | 1,725 |
| Other receivables | 2,168 |
| Bank balances | 873 |
| Other payables and accruals | (39) |
| Net assets value | 4,727 |

Calculation of loss on disposal of a subsidiary

| | HK\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Consideration received | 1,097 |
| Net assets disposed of | (4,727) |
| Non-controlling interest | 1,891 |
| Cumulative exchange reserve in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon loss of control | 19 |
| Loss on disposal | (1,720) |

19. CAPITAL COMMITMENTS

| | At 30 June 2020 HK\$'000 (unaudited) | At 31 December 2019 HK\$'000 (audited) |
|-----------------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| Capital commitments contracted for in respect of: | | |
| – Investment in financial assets at fair value through other comprehensive income | 20,572 | 29,892 |
| – Intangible assets – license fee and development cost | 111,964 | 103,455 |
| – Property, plant and equipment | 101,063 | 100,452 |
| | 233,599 | 233,799 |

20. PLEDGE OF ASSETS

At 30 June 2020, the Group has pledged bank deposits as security to banks for facilities granted to the group entities and CVie Therapeutics Limited (“**CVie Taiwan**”) which ceased to be the Group’s associate in year 2018, amounting to HK\$13,260,000 (31 December 2019: HK\$1,345,000) and HK\$39,000,000 (31 December 2019: HK\$39,000,000), respectively.

In additions, the Group’s motor vehicles classified under right-of-use assets amounting to HK\$429,000 (31 December 2019: HK\$468,000) are secured by the lessor’s title.

21. CONTINGENT LIABILITIES

Financial guarantee to associates

As at 30 June 2020, the Group had contingent liabilities amounting HK\$53,000,000 (31 December 2019: HK\$48,000,000) in respect of financial guarantees given to bank for the banking facilities granted to an associate. A total of HK\$802,000 (31 December 2019: HK\$12,134,000) has been remained unutilised by the associate.

Financial guarantee to CVie Taiwan

As at 30 June 2020, the Group had contingent liabilities amounting NTD150,000,000 which equivalent to approximately HK\$39,450,000 (31 December 2019: NTD180,000,000 which equivalent to approximately HK\$46,800,000) in respect of financial guarantees given to bank for the banking facilities granted to CVie Taiwan. NTD136,837,000 which equivalent to approximately HK\$35,988,000 (31 December 2019: NTD138,000,000 which equivalent to approximately HK\$35,880,000) has been utilised by CVie Taiwan and NTD13,163,000 which equivalent to approximately HK\$3,462,000 (31 December 2019: NTD42,000,000 which equivalent to approximately HK\$10,920,000) has been remained unutilised.

The directors of the Company have considered the probability of default is remote. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.