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Lee's Pharmaceutical Holdings Limited

李氏大藥廠控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 950)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHT

	Three months ended		Change	Six months ended		Change
	30 June			30 June		
	2020	2019		2020	2019	
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Revenue	283,732	324,593	-12.6%	556,716	607,534	-8.4%
Gross profit	185,101	213,330	-13.2%	365,619	402,327	-9.1%
Profit (loss) attributable to the owners of the Company	57,086	(8,660)	N/A	96,982	38,294	+153.3%
	HK cents	HK cents		HK cents	HK cents	
Earnings (loss) per share						
Basic	9.71	(1.46)	N/A	16.49	6.47	+154.9%
Diluted	9.71	(1.46)	N/A	16.49	6.46	+155.3%

* For identification purposes 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 Zanidip[®] 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), Gimatecan 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.

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	3	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	4	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	5	59,866	(37,826)	105,258	22,632
Taxation	6	(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)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per share:					
Basic	8	9.71	(1.46)	16.49	6.47
Diluted	8	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 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (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	<u>(47,042)</u>	<u>(58,138)</u>	<u>(163,909)</u>	<u>(38,031)</u>
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)
	<u>(47,042)</u>	<u>(58,138)</u>	<u>(163,909)</u>	<u>(38,031)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		At 30 June 2020 <i>HK\$'000</i> (unaudited)	At 31 December 2019 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	9	784,612	796,309
Intangible assets	9	778,986	694,617
Goodwill		6,242	3,900
Interests in associates	10	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	11	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	12	75,986	80,145
Other payables and accruals		616,628	605,187
Bank and other borrowings	13	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

		At 30 June 2020	At 31 December 2019
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Capital and reserves			
Share capital	14	29,406	29,396
Reserves		2,118,202	2,266,504
Equity attributable to the owners of the Company			
Non-controlling interests		2,147,608	2,295,900
		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										
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger difference <i>HK\$'000</i>	Share- based compensation reserve <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Investments revaluation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Sub- total <i>HK\$'000</i>	Attributable to non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 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)	<u>29,406</u>	<u>714,813</u>	<u>9,200</u>	<u>28,263</u>	<u>157,345</u>	<u>(215,208)</u>	<u>(119,055)</u>	<u>1,542,844</u>	<u>2,147,608</u>	<u>175,988</u>	<u>2,323,596</u>

Attributable to the owners of the Company

	Share capital	Share premium	Merger difference	Share- based compensation reserve	Other reserves	Investments revaluation reserve	Exchange reserve	Retained profits	Sub- total	Attributable to non- controlling interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)	<u>29,615</u>	<u>733,599</u>	<u>9,200</u>	<u>20,851</u>	<u>157,360</u>	<u>(3,081)</u>	<u>(72,815)</u>	<u>1,391,573</u>	<u>2,266,302</u>	<u>201,277</u>	<u>2,467,579</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	30 June 2020 <i>HK\$'000</i> (unaudited)	30 June 2019 <i>HK\$'000</i> (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
	<hr/>	<hr/>
Net cash (used in) generated from operating activities	(28,650)	192,064
	<hr/>	<hr/>
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)
	<hr/>	<hr/>
Net cash used in investing activities	(114,632)	(64,943)
	<hr/>	<hr/>
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
	<hr/>	<hr/>
Net cash generated from financing activities	48,593	349,104
	<hr/>	<hr/>
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
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	596,079	700,816
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents:		
Cash and bank balances	361,809	427,816
Time deposits	270,471	355,008
	<hr/>	<hr/>
	632,280	782,824
Less: Time deposits with original maturity more than three months	(36,201)	(82,008)
	<hr/>	<hr/>
	596,079	700,816
	<hr/> <hr/>	<hr/> <hr/>

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. 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	<u>217,682</u>	<u>271,007</u>	<u>339,034</u>	<u>336,527</u>	<u>556,716</u>	<u>607,534</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,564)</u>	<u>-</u>	<u>(108,564)</u>
Segment results	79,781	113,314	64,341	(69,521)	144,122	43,793
Unallocated income					6,661	5,929
Unallocated expenses					<u>(35,941)</u>	<u>(19,243)</u>
Profit from operations					114,842	30,479
Finance costs					<u>(3,545)</u>	<u>(2,691)</u>
Profit before share of results of associates					111,297	27,788
Share of results of associates					<u>(6,039)</u>	<u>(5,156)</u>
Profit before taxation					105,258	22,632
Taxation					<u>(29,317)</u>	<u>(29,448)</u>
Profit (loss) for the period					<u>75,941</u>	<u>(6,816)</u>

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					<u>3,507,476</u>	<u>3,640,241</u>
Segment liabilities	252,691	286,811	457,725	421,630	710,416	708,441
Unallocated liabilities					473,464	454,362
Total liabilities					<u>1,183,880</u>	<u>1,162,803</u>

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

4. 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
	<u>2,489</u>	<u>2,380</u>	<u>5,682</u>	<u>4,461</u>
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
	<u>51,318</u>	<u>19,474</u>	<u>63,628</u>	<u>30,452</u>

5. PROFIT (LOSS) BEFORE TAXATION

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

	For the three months ended 30 June		For the six months ended 30 June	
	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
	<u>28,778</u>	<u>23,028</u>	<u>55,125</u>	<u>45,526</u>
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	–	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	1,720	–	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

6. TAXATION

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

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.

7. DIVIDENDS

	For the three months ended 30 June		For the six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (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	<u>15,879</u>	<u>10,662</u>	<u>15,879</u>	<u>10,662</u>

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.

8. 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 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (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
	588,125	592,309	588,115	592,207
	–	N/A	6	1,015
	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.

9. 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).

10. 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

11. 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 <i>HK\$'000</i> (unaudited)	At 31 December 2019 <i>HK\$'000</i> (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
	<u>152,638</u>	<u>153,039</u>

12. 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 <i>HK\$'000</i> (unaudited)	At 31 December 2019 <i>HK\$'000</i> (audited)
0 – 90 days	75,760	79,948
91 – 180 days	38	–
181 – 365 days	–	–
Over 365 days	188	197
	<u>75,986</u>	<u>80,145</u>

13. 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
	<u>188,560</u>	<u>144,834</u>

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.

14. 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	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>50,000</u>	<u>50,000</u>
<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	<u>588,125,343</u>	<u>587,920,343</u>	<u>29,406</u>	<u>29,396</u>

15. RELATED PARTY TRANSACTIONS

During the reporting period, the Group entered into the following transactions with related parties. In the opinion of the directors, 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	–
	<u>916</u>	<u>755</u>

(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
	<u>28,122</u>	<u>17,539</u>

(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).

16. 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

17. 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 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.

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.

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.

PUBLICATION OF FINANCIAL INFORMATION

The interim report for the six months ended 30 June 2020 containing all the detailed information will be dispatched to the shareholders of the Company and published on the respective websites of The Stock Exchange of Hong Kong Limited (<http://www.hkex.news.hk>) and the Company (<http://www.leespharm.com>) in due course.

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

Hong Kong, 27 August 2020

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