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 2021

FINANCIAL HIGHLIGHT

	Three months ended 30 June			Six months ended 30 June		
	2021	2020	Change	**2021**	2020	Change
	HK$'000	*HK$'000*		***HK$'000***	*HK$'000*	
Revenue	**300,910**	283,732	6.1%	**584,052**	556,716	4.9%
Gross profit	**194,135**	185,101	4.9%	**386,546**	365,619	5.7%
Profit attributable to the owners of the Company	**2,114,152**	57,086	3,603.5%	**2,155,200**	96,982	2,122.3%
	HK cents	*HK cents*		***HK cents***	*HK cents*	
Earnings per share						
Basic	**359.07**	9.71	3,597.9%	**366.24**	16.49	2,121.0%
Diluted	**358.92**	9.71	3,596.4%	**366.00**	16.49	2,119.5%

* *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 2021, together with the comparative figures for the corresponding period in 2020. The Interim Results are unaudited, but have been reviewed by the Company's auditor, HLM CPA Limited (the "**Auditor**") in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The audit committee of the Company has also reviewed with the management and the Auditor the Interim Results before recommending it to the board of Directors (the "**Board**") for approval.

BUSINESS REVIEW

Revenue and Profit

The Group's experienced management team from the Group Commercial Operations Centre ("**GCOC**") continued to successfully drive the sales growths and to meet the challenges ahead during the period under review. First-half 2021 revenue of the Group totalled HK$584,052,000 (first-half 2020: HK$556,716,000), an increase of 4.9% compared to the same period last year. Second-quarter 2021 revenue of the Group totalled HK$300,910,000 (second-quarter 2020: HK$283,732,000), an increase of 6.1% compared to the prior-year quarter and a sequential increase of 6.3% over first-quarter 2021. First-half 2021 growths was primarily driven by the sales of Yallaferon®, Ferplex®, Slounase® and Treprostinil Injection which grew by 94.8%, 43.0%, 12.8% and 142.7%, respectively, compensated the sales decline caused by the negative impacts such as the termination of the distribution of Zanidip® and the hospital re-listing of Livaracine® after the obtaining of drug registration approval as Nadroparin Calcium for Injection.

Sales of licensed-in products in the first-half 2021 accounted for 57.3% (first-half 2020: 60.9%) of the Group's revenue while sales of proprietary and generic products in the first-half 2021 contributed 42.7% (first-half 2020: 39.1%) of the Group's revenue.

First-half 2021 gross profit of the Group was HK$386,546,000 (first-half 2020: HK$365,619,000), an increase of 5.7% compared to the same period last year. Second-quarter 2021 gross profit of the Group was HK$194,135,000 (second-quarter 2020: HK$185,101,000), an increase of 4.9% compared to the prior-year quarter. Second-quarter 2021 gross profit margin of the Group was 64.5%, decreased by 0.7 percentage point as compared to 65.2% achieved during the prior-year quarter. The Group's overall gross profit margin was 66.2%, improved by 0.5 percentage points as to 65.7% achieved in the first-half 2020 due to increase in proportion of revenue generated from the sales of proprietary and generic products.

The Group's research and development ("**R&D**") expenses during the period under review represented new drugs development in major therapeutic areas such as cardiovascular, woman health, paediatrics, rare diseases, dermatology and obstetrics, as well as in the area of oncology under a separate R&D arm within the Group.

Mainland China's healthcare system has undergone a series of major reforms to its regulatory and reimbursement policies, and one major market access reform is the volume-based procurement ("**VBP**") program which exerts downward pressure on drug prices. In June 2021, the fifth round has been completed and its scale was the largest to date. As a result, the Group has further optimised its R&D portfolio by re-examining its in-licensed drug portfolio, adjusting its new drug development strategy, and streamlining its R&D activities to support efficient allocation of resources for its drug development pipeline. During the optimisation process, the Group has identified a total of 14 drug development programs, including 2 rare diseases programs, 5 oncology programs and 7 programs in other therapeutic areas which need to be postponed or terminated due to the concerns about their future revenue potentials which may make the programs become financially not viable. Accordingly, an aggregate one-time loss of approximately HK$190.1 million attributable to the estimated impairment of intangible assets has been made in the second-quarter 2021, which represented the full impairment made in respect of the licensing fee and development cost previously capitalised for the abovementioned drug development programs. In addition, a one-time loss of approximately HK$40.2 million which represented full impairment for the licensing fee and development cost previously capitalised for a launched oral antihypertensive product, namely Rasilez®, have also been made in the second-quarter 2021 due to the concern about its future market and revenue potential in view of the lowered prices of competing antihypertensive products after the completion of the latest round of VBP program.

Saved for the above, R&D activities were at normal level during the period under review, whereas that of in the first-quarter 2020 were significantly lower due to the COVID-19 pandemic. An aggregate of HK$240,043,000 has been spent in the first-half 2021 (first-half 2020: HK$151,136,000), represented 41.1% to the corresponding revenue for the period (first-half 2020: 27.1%). Among which HK$112,899,000 (first-half 2020: HK$75,160,000) has been recognised as expenses and HK$127,144,000 (first-half 2020: HK$75,976,000) has been capitalised as intangible assets. In addition, license fees for licensed-in products of HK$100,446,000 has been recognised as intangible assets during the first-half 2021 (first-half 2020: HK$23,817,000).

Special focus has been placed on strengthening existing and exploring new distribution channels as well as on the preparation for the roll-out of new and upcoming products and adequate resources has been deployed thereto during the period under review. Overall, the selling expenses to revenue ratio during the first-half 2021 increased to 28.1%, compared to 21.9% same period last year.

Together with a one-time gain of approximately HK$2.3 billion attributable to the derecognition of investment in Zhaoke Ophthalmology Limited ("**ZKO**", stock code: 6622.HK) as an associate of the Company immediately after the separate listing of ZKO on 29 April 2021, net profit attributable to owners of the Company in the first-half 2021 was HK$2,155,200,000, increased by approximately 21 times over the first-half 2020.

Manufacturing Facilities and Production Capability

During first-half 2021, the Group achieved good progress in production capacity expansions and manufacturing facility upgrades of Yallaferon® and Livaracine® as well as the technology transfer of certain new products in the form of oral lyophilised powder and liposome in Hefei site. In Nansha site, the manufacturing of Tecarfarin tablet and Nokxaban tablet for GMP applications and clinical trials are actively moving forward in good progress. The equipment installation and commission for the manufacturing of inhaled pharmaceutical aerosols is also in progress. The equipment installation and commission for the productions of oral cytotoxic drugs and continuous glucose monitor were completed, and both facilities are ready for making clinical samples and/or registration batch.

Drug Development

To date, the Group has over 40 projects from early- to late-stage development.

The applications made in the prior year for Import Drug License ("**IDL**"), such as Natulan®, INOmax®, Zingo® and Teglutik®, and for Abbreviated New Drug Application ("**ANDA**"), namely Azilsartan and Apremilast tablet, are under review by the Centre for Drug Evaluation (the "**CDE**"). The New Drug Application ("**NDA**") for Adasuve® made in the prior year is pending for the acceptance by the China's National Medical Products Administration ("**NMPA**").

During the first-half 2021 and up to date, measurable progress has been made in various clinical programs.

Major Therapeutic Areas

Cetraxal® Plus

On 4 January 2021, the Group recruited its first patient dosed with Cetraxal® Plus an ear drops product licensed from Laboratorios Salvat S.A. targeting acute otitis externa (AOE), and acute otitis media with tympanostomy tubes (AOMT) in a Phase III clinical trial in China. The study plans to enroll a total of 600 subjects and, to date, approximately 400 subjects have been enrolled.

Intrarosa®

On 5 January 2021, the Group has been granted the clinical trial approval from the China's NMPA to initiate a Phase III, multicenter, randomised, double blinded, parallel group clinical trial of Intrarosa®, a product licensed from Endoceutics, Inc., in the treatment of vulvovaginal atrophy ("**VVA**"). The preparation work for this pivotal Phase III study is in progress and the approval from the Human Genetic Resources Administration of China ("**HGRAC**") has been obtained in July 2021, and thus, the study is expected to initiate patient recruitment in September 2021. Intrarosa® is the only U.S. Food and Drug Administration ("**FDA**") and European Medicines Agency ("**EMA**") approved, locally administered, daily non-estrogen steroid for the treatment of VVA due to menopause. Intrarosa®'s product information does not have any boxed (safety) warnings, contrary to all other FDA approved drugs for the treatment of VVA, which have boxed warnings. Intrarosa® contains prasterone, also known as dehydroepiandrosterone (DHEA). Prasterone is an inactive endogenous steroid, which is converted locally into androgens and estrogens to help restore the vaginal tissue as indicated by improvements in the percentage of superficial and parabasal cells, and pH.

Lutrate®

On 27 January 2021, the NDA of Lutrate® Depot (leuprolide acetate for depot suspension) 3.75 mg 1-month administration ("**Lutrate®**") for the palliative treatment of advanced prostate cancer has been accepted for review by NMPA. Lutrate® contains the active ingredient leuprolide acetate which belongs to a group of drugs called luteinising hormone-releasing hormone ("**LHRH**") agonists that reduce testosterone – the major androgen. Treatment with LHRH agonists is the predominant form of androgen deprivation therapy and has become the standard of care for metastatic prostatic cancer.

Staccato® fentanyl

Staccato® fentanyl for inhalation system is a combination drug-device delivery product designed for rapid, systemic delivery of aerosolised fentanyl via the lung. The product integrates the latest technology with a unique drug delivery technology, ensuring efficacy while deterring abuse and preventing overdose. The coming Phase I/IIa multicenter study in China is designed to evaluate the efficacy and safety of Staccato® fentanyl in treating breakthrough pain in patients with cancer. The study will be comprised of two stages: stage one study is designed to determine the recommended dosage; and stage two study will be a pharmacokinetic (PK) study based on the recommended dosage which can get the patients relieved from the pain in stage one. The preparation work for this Phase I/IIa clinical trial of Staccato® fentanyl is in progress but had been suffered a short delay during the outbreak of COVID-19 in Guangdong Province in June 2021. To date, the approval from the HGRAC has been obtained and the study is expected to initiate patient recruitment in September 2021.

GCC-4401C

On 1 March 2021, the Group has been granted the approval of the Investigational New Drug ("**IND**") application of GCC-4401C from the NMPA to conduct clinical trials investigating GCC-4401C as a potential treatment for cirrhotic patients with non-tumoral portal vein thrombosis (PVT). GCC-4401C is a novel direct oral anticoagulant with structural similarity to rivaroxaban. It directly inhibits the activity of factor Xa, an important validated target in the blood coagulation pathway, to prevent thrombosis.

Anfibatide

On 3 June 2021, the principal findings of the completed Phase I clinical trial (clinicaltrials.gov registration number: NCT01588132) which evaluated the anti-thrombotic efficacy and safety of Anfibatide in vitro, ex vivo with human blood, and after injection and infusion in healthy human subjects was published in Scientific Reports in an article titled "In vitro assessment and Phase I randomized clinical trial of Anfibatide a snake venom derived anti-thrombotic agent targeting human platelet GPIbα". Anfibatide is a new molecular entity discovered and developed by the Group. It is a first-in-class platelet GPIbα receptor antagonist that has fast onset, potent, and reversible antithrombotic effect among healthy subjects without impairing coagulation or prolonging bleeding time. The data published suggesting that Anfibatide may be a potentially safe and effective agent for anti-thrombotic therapy targeting platelet GPIbα which deserves further investigation. Full version of this article can be found at www.nature.com/articles/s41598-021-91165-8.

During the period under review and up to date, the Group obtained 2 ANDA approvals from NMPA.

Fondaparinux Sodium Injection

On 2 February 2021, Fondaparinux Sodium Injection (0.5 ml: 2.5 mg), a drug indicated to prevent deep vein thrombosis (DVT; a blood clot, usually in the leg), which can lead to pulmonary embolism (PE; a blood clot in the lung), in people who are having hip surgery, hip or knee replacement, or abdominal surgery, obtained approval for manufacturing and marketing from the NMPA. Fondaparinux sodium is a synthetic and specific inhibitor of coagulation activated factor X (factor Xa) with high bioavailability, fast acting and longer half-life. It has no effect on factor IIa, and has low bleeding adverse event. It inhibits only free factor Xa but not factor Xa bound to the prothrombinase. Use of fondaparinux does not require monitoring of PT (prothrombin time) and aPTT (activated partial thromboplastin time). The short chain length of fondaparinux sodium results in devoid of immunogenicity. It does not interact with platelet and does not induce thrombocytopenia. It has no hepatotoxicity and has less allergic reactions.

Sodium Phenylbutyrate Granules

On 13 May 2021, the Drug Registration Certificate for Sodium Phenylbutyrate Granules (specification: 150 g/bottle, containing 0.94 g Sodium Phenylbutyrate for every 1 g) developed and manufactured by Zhaoke Pharmaceutical (Guangzhou) Company Limited ("**Zhaoke Guangzhou**"), a wholly-owned subsidiary of the Company, has been obtained from the NMPA. Sodium Phenylbutyrate is used as an adjuvant treatment for long-term treatment on urea cycle disorders patients resulting from carbamoyl phosphate synthetase deficiency, ornithine transcarbamylase deficiency or argininosuccinate synthetase deficiency. It is applicable to new-born babies (born less than 28 days) with profound biotinidase deficiency and to patients with a history of late-onset hyperammonemia brain dysfunction (partial biotinidase deficiency, born for more than one month). The Sodium Phenylbutyrate Granules developed and manufactured by Zhaoke Guangzhou is the first generic version in China. As there is no original Sodium Phenylbutyrate available for sale in China, the Group's Sodium Phenylbutyrate Granules would address the unmet medical needs in China.

Oncology Pipeline Highlights

China Oncology Focus Limited ("**COF**"), a 65% owned subsidiary of the Group, is the Group's R&D arm in the area of oncology. To date, there are 10 oncology assets, including 5 innovative and 5 generics, in development for the treatment of a range of cancers.

Socazolimab in recurrent and metastatic cervical cancer

On 5 February 2021, the breakthrough therapy designation ("**BTD**") has been granted by the NMPA to COF for its Socazolimab (anti-PD-L1 monoclonal antibody, formerly known as ZKAB001) to treat recurrent and metastatic cervical cancer. Socazolimab is a fully human anti PD-L1 monoclonal antibody targeting tumor PD-L1 protein. It can release the "brake" causing by the tumor cell to the immune system. To date, COF has communicated with the CDE and provided supplemental data for several rounds in respect of the pre-NDA meetings. Thus, the NDA submission has been delayed and the Group currently expects to file the NDA for Socazolimab in recurrent or metastatic cervical cancer in the third quarter of 2021.

Socazolimab in osteosarcoma

During the period under review and up to date, the registration enabling Phase III clinical trial using Socazolimab in osteosarcoma is in good progress. To date, 105 patients have been enrolled.

Socazolimab in neoadjuvant treatment in esophageal carcinoma

During the period under review and up to date, the patient enrolment of 70 patients in Phase Ib/II clinical trial of Socazolimab in neoadjuvant treatment in esophageal carcinoma has been completed.

Socazolimab combined with chemotherapy in small-cell lung cancer

On 1 March 2021, COF has been granted the clinical trial application approval from the NMPA to conduct a Phase III, multicenter, randomised, double blinded, parallel-group clinical trial of Socazolimab combined with chemotherapy in the first-line treatment of extensive-stage small-cell lung cancer ("**ES-SCLC**"). The approval is based on the results from an earlier Phase Ib trial in which Socazolimab combined with carboplatin and etoposide showed promising efficacy and safety profile in patients with extensive-stage small-cell lung cancer. This clinical trial is led by Prof. Shun Lu (陸舜) from Shanghai Chest Hospital (上海市胸科醫院) and the first patient has been enrolled on 15 July 2021.

Business Partnership

The in-licensing approach is the Group's preferred mode of business development strategy. Nevertheless, the Group has remained selective in entering new in-licensing deals. As a result, only 1 licensing deal has been entered into during the period under review. On 15 June 2021, the Group had successfully entered into a license agreement with Asahi Kasei Pharma Corporation, a Japan-based company, pursuant to which the Group is awarded the exclusive license to commercialise Bredinin™ (generic name: mizoribine) for the indication of suppression of rejection reaction in renal transplantation in Mainland China. Bredinin™ was first launch in China in 1999 and has already established a decent market presence within the patient population. In addition, supplemental new drug application (sNDA) for the additional indications such as lupus nephritis (LN) and nephrotic syndrome (NS) were submitted to China's NMPA in June 2020.

In addition, the Group achieved a new breakthrough of business during the period under review. On 2 March 2021, a distribution agreement with Kunming Baker Norton Pharmaceutical Sales Co., Ltd. ("**KBNS**"), a wholly-owned subsidiary of KPC Pharmaceuticals, Inc. ("**KPC**", stock code: 600422.SH), become effective and pursuant to which exclusive promotion right of Fondaparinux Sodium Injection (磺達肝癸鈉注射液) (0.5 ml: 2.5 mg) in 18 provinces,and further expanded to 31 provincial-level regions in China on 1 May 2021, were granted to KBNS. The Group believed that the collaboration with KPC shall enable the Group to leverage on KPC's proven sales force on new products promotion.

Corporate Development

On 29 April 2021, the Group's investment in ZKO has been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**HKEx**") at HK$16.80 per ZKO share and raised a net amount of approximately HK$1,932.3 million. Together with the fund previously raised, it is expected that the available resources on hand will increase the possibility for ZKO to replenish and develop its pipeline to secure future revenue. Upon the listing of ZKO, ZKO ceased to be an associate of the Company since the Group will not exercise significant influence over the operations thereof and is accounted for as financial assets at fair value through other comprehensive income for financial reporting purposes. The Group has recorded a one-time gain of approximately HK$2.3 billion in the Company's consolidated statement of profit or loss on this derecognition of investment in ZKO as an associate of the Company in the second quarter of 2021.

PROSPECTS

The development of vaccine has provided us hope for the future, but uncertainties are expected to persist until we see faster vaccine rollout in every country. As indicated in the last quarter, the Group remains of the view that the tough environment will be persisted in 2021 and foresees that pressure on drug prices will be one of the key challenges to industry players as China adopts a progressively more dynamic approach to National Reimbursement Drug List updates, which has been evidenced by the completion of the fifth round of national VBP program in June 2021.

Nevertheless, our fundamentals remain intact amid the COVID-19 pandemic and positive catalysts such as the containment of COVID-19 spreads in China and the rebound in economic activities within the region, the newly approved products to be launched, the optimisation of R&D portfolio and the transformed sales force led by the GCOC, may drive the Group to overcome the challenges.

It is believed that the Group would be eventually benefited from the new laws and regulations for the pharmaceutical industry in the long run, and the Group will continue to stay focus on its new drug development and cost containment in order to differentiate itself from other pharmaceutical companies.

The completion of the spin-off and listing of ZKO in April 2021 is a testament to the Group's determination in unlocking value for the shareholders. The Group can now spare more resources to develop its business in other major therapeutic areas. Besides, the Group will endeavour to continue its efforts to seek opportunities to optimise its R&D project portfolio.

The Group will adopt prudent business and financial strategies to strengthen its foundation. The Group firmly believes that all these works to be done will eventually drive growth therefor and will eventually create more value for all our stakeholders.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2021

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2021	2020	**2021**	2020
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	3	**300,910**	283,732	**584,052**	556,716
Cost of sales		**(106,775)**	(98,631)	**(197,506)**	(191,097)
Gross profit		**194,135**	185,101	**386,546**	365,619
Other income	4	**33,357**	51,318	**64,938**	63,628
Other gains and losses, net		**2,090,917**	(3,900)	**2,093,266**	(5,389)
Selling and distribution expenses		**(91,549)**	(56,207)	**(164,118)**	(122,136)
Administrative expenses		**(65,330)**	(61,338)	**(124,201)**	(111,133)
Net provision for expected credit losses on financial assets		**(749)**	(376)	**(419)**	(587)
Research and development expenses		**(65,034)**	(49,792)	**(112,899)**	(75,160)
Profit from operations		**2,095,747**	64,806	**2,143,113**	114,842
Finance costs		**(1,252)**	(1,963)	**(2,523)**	(3,545)
Share of results of associates		**(1,047)**	(2,977)	**(3,311)**	(6,039)
Profit before taxation	5	**2,093,448**	59,866	**2,137,279**	105,258
Taxation	6	**4,098**	(17,923)	**(3,377)**	(29,317)
Profit for the period		**2,097,546**	41,943	**2,133,902**	75,941
Attributable to:					
Owners of the Company		**2,114,152**	57,086	**2,155,200**	96,982
Non-controlling interests		**(16,606)**	(15,143)	**(21,298)**	(21,041)
		2,097,546	41,943	**2,133,902**	75,941
		HK cents	*HK cents*	***HK cents***	*HK cents*
Earnings per share:					
Basic	8	**359.07**	9.71	**366.24**	16.49
Diluted	8	**358.92**	9.71	**366.00**	16.49

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2021

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period	**2,097,546**	41,943	**2,133,902**	75,941
Other comprehensive income (expense):				
Items that may be reclassified subsequently to profit or loss:				
– Exchange differences on translation of financial statements of overseas subsidiaries	**19,094**	213	**12,032**	(23,937)
– Share of other comprehensive income (expense) of associates	**100**	13	**46**	(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	**(690,631)**	(89,192)	**(781,827)**	(215,808)
Other comprehensive expense for the period, net of tax	**(671,437)**	(88,985)	**(769,749)**	(239,850)
Total comprehensive income (expense) for the period	**1,426,109**	(47,042)	**1,364,153**	(163,909)
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	**1,442,850**	(28,278)	**1,389,803**	(131,274)
Non-controlling interests	**(16,741)**	(18,764)	**(25,650)**	(32,635)
	1,426,109	(47,042)	**1,364,153**	(163,909)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	**30 June 2021** ***HK$'000*** **(unaudited)**	31 December 2020 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	9	**708,440**	724,552
Intangible assets	9	**833,821**	844,954
Goodwill		**3,900**	3,900
Interests in associates	10	**2,819**	6,056
Financial assets at fair value through profit or loss		**36,784**	38,050
Financial assets at fair value through other comprehensive income		**1,921,160**	377,584
Deferred tax assets		**18,207**	18,729
		3,525,131	2,013,825
Current assets			
Inventories		**349,508**	414,377
Trade receivables	11	**158,325**	159,574
Other receivables, deposits and prepayments		**194,456**	149,081
Advance to associates		**89,083**	77,504
Tax recoverable		**279**	–
Pledged bank deposits		**3,875**	24,025
Time deposits		**12,400**	39,336
Cash and bank balances		**282,447**	375,199
		1,090,373	1,239,096
Current liabilities			
Trade payables	12	**18,010**	73,733
Other payables and accruals		**743,184**	691,195
Bank borrowings	13	**155,278**	141,377
Lease liabilities		**11,482**	7,828
Tax payables		**16,857**	29,916
		944,811	944,049
Net current assets		**145,562**	295,047
Total assets less current liabilities		**3,670,693**	2,308,872

	Note	**30 June 2021** ***HK$'000*** **(unaudited)**	31 December 2020 *HK$'000* (audited)
Capital and reserves			
Share capital	14	**29,442**	29,406
Reserves		**3,503,971**	2,120,389
Equity attributable to the owners of the Company		**3,533,413**	2,149,795
Non-controlling interests		**(60,067)**	(34,417)
Total equity		**3,473,346**	2,115,378
Non-current liabilities			
Deferred tax liabilities		**70,676**	81,992
Lease liabilities		**10,671**	7,502
Retirement benefits		**116,000**	104,000
		197,347	193,494
		3,670,693	2,308,872

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to the owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Merger difference *HK$'000*	Share-based compensation reserve *HK$'000*	Other reserves *HK$'000*	Investments revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Attributable to non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2021 (audited)	29,406	714,813	9,200	40,847	65,228	(254,155)	(14,843)	1,559,299	2,149,795	(34,417)	2,115,378
Employee share option benefits	–	–	–	8,498	–	–	–	–	8,498	–	8,498
Exercise of share options	36	5,278	–	(1,771)	–	–	–	–	3,543	–	3,543
Share of reserve of an associate	–	–	–	–	28	–	–	–	28	–	28
Profit (loss) for the period	–	–	–	–	–	–	–	2,155,200	2,155,200	(21,298)	2,133,902
Other comprehensive income (expense) for the period											
– Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	11,974	–	11,974	58	12,032
– Share of other comprehensive income of associates	–	–	–	–	46	–	–	–	46	–	46
– Fair value changes of financial assets at fair value through other comprehensive income	–	–	–	–	–	(777,417)	–	–	(777,417)	(4,410)	(781,827)
Total comprehensive income (expense) for the period	–	–	–	–	46	(777,417)	11,974	2,155,200	1,389,803	(25,650)	1,364,153
2020 final dividend paid	–	–	–	–	–	–	–	(18,254)	(18,254)	–	(18,254)
At 30 June 2021 (unaudited)	29,442	720,091	9,200	47,574	65,302	(1,031,572)	(2,869)	3,696,245	3,533,413	(60,067)	3,473,346

	Attributable to the owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Merger difference *HK$'000*	Share-based compensation reserve *HK$'000*	Other reserves *HK$'000*	Investments revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Attributable to non-controlling interests *HK$'000*	Total *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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Operating activities		
Cash generated from operations	**175,703**	44,966
Interest paid	**(1,727)**	(2,923)
Income tax paid	**(28,011)**	(70,693)
Net cash generated from (used in) operating activities	**145,965**	(28,650)
Investing activities		
Purchase of property, plant and equipment	**(22,560)**	(38,717)
Payment for construction in progress	**(3,355)**	(14,517)
Additions to development cost and license fees	**(227,590)**	(99,793)
Decrease in time deposits with initial terms of over three months	**39,633**	43,920
Other cash flows arising from investing activities	**(11,911)**	(5,525)
Net cash used in investing activities	**(225,783)**	(114,632)
Financing activities		
Dividends paid	**(18,254)**	(22,349)
Other cash flows arising from financing activities	**12,378**	70,942
Net cash (used in) generated from financing activities	**(5,876)**	48,593
Net decrease in cash and cash equivalents	**(85,694)**	(94,689)
Cash and cash equivalents at 1 January	**375,199**	693,516
Effect of foreign exchange rate changes	**5,342**	(2,748)
Cash and cash equivalents at 30 June	**294,847**	596,079
Analysis of cash and cash equivalents:		
Cash and bank balances	**282,447**	361,809
Time deposits	**12,400**	270,471
	294,847	632,280
Less: Time deposits with original maturity more than three months	**–**	(36,201)
	294,847	596,079

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2020.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2020 except as described below.

In the current reporting period, the Group has applied, for the first time, the following 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 HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The application of these 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:

Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[2]
HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKAS 1	Classification of Liabilities as Current and Non-current or related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 April 2021, earlier application is permitted
2 Effective for annual periods beginning on or after 1 January 2022, earlier application is permitted
3 Effective for annual periods beginning on or after 1 January 2023, earlier application is permitted
4 Effective 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	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue	**249,635**	217,682	**334,417**	339,034	**584,052**	556,716
Segment operating results	**114,202**	89,918	**70,236**	129,364	**184,438**	219,282
Research and development expenses	**(28,653)**	(10,137)	**(84,246)**	(65,023)	**(112,899)**	(75,160)
Provision for impairment of intangible assets	**(43,307)**	–	**(186,629)**	–	**(229,936)**	–
Write-off of intangible assets	**(355)**	–	**–**	–	**(355)**	–
Segment results	**41,887**	79,781	**(200,639)**	64,341	**(158,752)**	144,122
Unallocated income					**2,331,338**	6,661
Unallocated expenses					**(29,473)**	(35,941)
Profit from operations					**2,143,113**	114,842
Finance costs					**(2,523)**	(3,545)
Profit before share of results of associates					**2,140,590**	111,297
Share of results of associates					**(3,311)**	(6,039)
Profit before taxation					**2,137,279**	105,258
Taxation					**(3,377)**	(29,317)
Profit for the period					**2,133,902**	75,941

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 2020: 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 2021	31 December 2020	**30 June 2021**	31 December 2020	**30 June 2021**	31 December 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Segment assets	**874,388**	875,134	**1,576,087**	1,704,544	**2,450,475**	2,579,678
Unallocated assets					**2,165,029**	673,243
Total assets					**4,615,504**	3,252,921
Segment liabilities	**228,933**	263,839	**554,414**	516,420	**783,347**	780,259
Unallocated liabilities					**358,811**	357,284
Total liabilities					**1,142,158**	1,137,543

Geographical information

During the six months ended 30 June 2021 and 2020, 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 2021	31 December 2020	**30 June 2021**	31 December 2020	**30 June 2021**	31 December 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Total assets	**1,978,822**	2,060,059	**2,636,682**	1,192,862	**4,615,504**	3,252,921
Total liabilities	**516,017**	560,912	**626,141**	576,631	**1,142,158**	1,137,543

4. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income on:				
Bank deposits	**555**	1,999	**1,392**	4,766
Financial assets at fair value through profit or loss	**83**	–	**83**	–
Advance to associates	**828**	490	**1,579**	916
Total interest income	**1,466**	2,489	**3,054**	5,682
Compensation income	**–**	41,208	**–**	41,208
Development and government grants	**5,834**	3,598	**10,615**	11,648
Rental and utilities income	**2,105**	313	**4,920**	613
Research and development service income	**23,333**	2,275	**45,004**	2,305
Sundry income	**619**	1,435	**1,345**	2,172
	33,357	51,318	**64,938**	63,628

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

5. PROFIT BEFORE TAXATION

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

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation of property, plant and equipment (including right-of-use assets)	**29,496**	24,492	**58,225**	47,843
Amortisation of intangible assets	**7,362**	4,286	**12,537**	7,282
Total depreciation and amortisation	**36,858**	28,778	**70,762**	55,125
Gain on deemed disposal of interest in an associate	**(2,321,626)**	(64)	**(2,321,626)**	(64)
Loss on disposal of a subsidiary	**–**	1,720	**–**	1,720
Provision for impairment on intangible assets	**229,936**	–	**229,936**	–
Write-off of intangible assets	**355**	–	**355**	–
Interest expenses on borrowings	**827**	1,373	**1,722**	2,588
Interest expenses on lease liabilities	**171**	166	**327**	358
Share-based payments	**4,965**	3,472	**8,498**	4,858
– Directors	**3,113**	2,304	**5,005**	3,094
– Employees	**1,852**	1,168	**3,493**	1,764

6. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax				
Hong Kong Profits Tax	**7,842**	15,584	**15,202**	22,826
PRC Enterprise Income Tax	**(912)**	–	**–**	–
	6,930	15,584	**15,202**	22,826
Over provision in prior years				
PRC Enterprise Income Tax	**(530)**	(228)	**(530)**	(228)
Deferred tax				
Origination and reversal of temporary differences	**(10,498)**	2,567	**(11,295)**	6,719
	(4,098)	17,923	**3,377**	29,317

Hong Kong Profits Tax for the three and six months ended 30 June 2021 is calculated at 8.25% (three and six months ended 30 June 2020: 8.25%) on the first HK$2 million of the estimated assessable profits and at 16.5% (three and six months ended 30 June 2020: 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	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interim dividend declared – HK$0.030 (2020: HK$0.027) per ordinary share based on issued share capital at the end of the reporting period	**17,665**	15,879	**17,665**	15,879

Interim dividend will be payable on 6 October 2021 to shareholders registered in the Company's register of members as at the close of business on 20 September 2021. 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. 2020 final dividend of HK$0.031 per share, totalling HK$18,254,000 was paid on 18 June 2021.

8. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings:				
Net profit attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**2,114,152**	57,086	**2,155,200**	96,982

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	**2021**	2020
	Share(s)'000	*Share(s)'000*	***Share(s)'000***	*Share(s)'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**588,789**	588,125	**588,459**	588,115
Effect of dilutive potential ordinary shares:				
Options	**237**	–	**394**	6
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**589,026**	588,125	**588,853**	588,121

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(a) Right-of-use assets

During the six months ended 30 June 2021, the Group entered into a number of lease agreements and therefore recognised the additions to right-of-use assets of approximately HK$11 million (six months ended 30 June 2020: approximately HK$1 million).

(b) Owned property, plant and equipment

During the six months ended 30 June 2021, additions to owned property, plant and equipment amount to approximately HK$26 million (six months ended 30 June 2020: approximately HK$53 million).

(c) Intangible assets

During the six months ended 30 June 2021, additions to intangible assets amount to approximately HK$228 million (six months ended 30 June 2020: approximately HK$100 million), which consist of both license fees and development cost.

During the six months ended 30 June 2021, the Group has concluded that a total of 14 drug development programs in several therapeutics areas would be postponed or terminated about considering the future revenue potentials thereof which may make them become financially not viable; and 1 launched oral antihypertensive product to be impaired as a result of the recent volume-based procurement program which pose higher pressure on price setting for this product. A total of approximately HK$230 million impairment provision for, and write-off of, intangible assets for the above mentioned programs and product were recognised in profit or loss (six months ended 30 June 2020: HK$Nil).

10. INTERESTS IN ASSOCIATES

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

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At beginning of the period/year	**6,056**	15,802
Additions	**–**	182,222
Share of post-acquisition loss	**(3,311)**	(11,414)
Share of exchange reserve	**46**	314
Share of option reserve	**28**	55
Loss on deemed disposal of interests in associates	**–**	(180,923)
At end of the period/year	**2,819**	6,056

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 2021	31 December 2020	**30 June 2021**	31 December 2020	
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	**24.08%**	24.08%	**24.08%**	24.08%	Operating a central pharmacy for compounding radiopharmaceuticals
Zhaoke Ophthalmology Limited ("**ZKO**")	British Virgin Islands*/ Hong Kong	**N/A**	33.58%	**N/A**	33.58%	Development, manufacturing and marketing of ophthalmic drugs

* Incorporated in the British Virgin Islands and redomiciled to the Cayman Islands on 2 June 2020.

Deemed disposal of an associate

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

	HK$'000
Fair value of investment retained	2,321,626
Less: Carrying amount of the investment on the date of loss of significant influence of ZKO	–
Gain recognised in profit or loss	2,321,626

11. TRADE RECEIVABLES

The Group allows an average credit period of 30–120 days to its trade customers.

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

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**95,629**	72,314
31–120 days	**51,186**	68,058
121–180 days	**10,752**	2,790
181–365 days	**753**	16,412
Over 365 days and under 3 years	**5**	–
	158,325	159,574

12. TRADE PAYABLES

The average credit period on purchases of certain goods is 90 days.

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

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–90 days	**17,168**	73,060
91–180 days	**334**	420
181–365 days	**424**	72
Over 365 days	**84**	181
	18,010	73,733

13. BANK BORROWINGS

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Secured bank borrowings classified as current liabilities *(Note 1)*	**143,278**	129,457
Unsecured bank borrowings classified as current liabilities *(Note 2)*	**12,000**	11,920
	155,278	141,377
Carrying amount of the borrowings are repayable *(Note 3)*:		
Within one year	**85,438**	66,806
More than one year but not exceeding two years	**69,840**	54,571
More than two years but not exceeding five years	**–**	20,000
	155,278	141,377

Notes:

1. For bank borrowings which include a clause that gives the lenders the unconditional right to call the borrowings at any time (the "**Repayment on Demand Clause**"), according to Hong Kong Interpretation 5 which requires the classification of whole borrowings containing the Repayment on Demand Clause as current liabilities, bank borrowings meeting this criterion were classified as current liabilities.

2. The bank loan was obtained by a Group's subsidiary in the PRC which is subject to the fulfilment of covenant as is commonly found in lending arrangements with financial institutions. At both 30 June 2021 and 31 December 2020, the Group's subsidiary did not fulfil the covenant imposed by bank on the bank loan and RMB9,600,000 which equivalent to approximately HK$11,520,000 (31 December 2020: the entire bank loan) which was long-term borrowing was re-classified as current liabilities.

3. The table is based on the agreed repayment schedule provided by banks.

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

At 30 June 2021, the Group's bank borrowings carry interest rates ranged from 1.29% to 3.85% (31 December 2020: 1.75% to 3.85%) per annum.

14. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2021	31 December 2020	**30 June 2021**	31 December 2020
			HK$'000	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Authorised:				
Ordinary shares of HK$0.05 each	**1,000,000,000**	1,000,000,000	**50,000**	50,000
Issued and fully paid:				
At beginning of the period/year	**588,125,343**	587,920,343	**29,406**	29,396
Exercise of share options	**710,000**	205,000	**36**	10
At end of the period/year	**588,835,343**	588,125,343	**29,442**	29,406

15. RELATED PARTY TRANSACTIONS

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

(a) Transaction with associates

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**1,579**	916
Rental and utilities income	**3,960**	613
Research and development service income	**21,780**	–
Purchase of consumable	**2,728**	426

(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	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term employee benefits	**6,629**	11,886
Share-based payments	**5,005**	3,094
Retirement and other post-employment benefits	**12,009**	13,142
– Defined contribution plan	**9**	18
– Retirement benefits	**12,000**	13,124
	23,643	28,122

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

During the six months ended 30 June 2021, total HK$600,000 (six months ended 30 June 2020: HK$1,175,000) was donated to Kanya Lee Scholarship. Ms. Leelalertsuphakun Wanee and Ms. Lee Siu Fong, directors of the Company, are also members of key management of Kanya Lee Scholarship and Kanya Lee Scholarship is considered as a related party to the Group.

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

During the six months ended 30 June 2020, 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 were both the directors of the Company and the substantial shareholders of PCH and PCH was considered as a related party to the Group. Total consideration received for the issue of shares thereto was US$4,003,300 (equivalent to approximately HK$31,226,000). No such event has occurred during the six months ended 30 June 2021.

(e) Interest expenses for shareholder loans from PCH

During the six months ended 30 June 2020, included in finance costs there was interest expenses for loans from PCH amounting to HK$147,000. Loans from PCH were fully settled in year 2020 and no interest expenses was incurred during the six months ended 30 June 2021.

16. CAPITAL COMMITMENTS

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital commitments contracted for in respect of:		
– Financial assets at fair value through other comprehensive income	**9,589**	10,750
– Intangible assets – license fee and development cost	**113,590**	88,458
– Property, plant and equipment	**85,804**	91,212
	208,983	190,420

17. PLEDGE OF ASSETS

At 30 June 2021, 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$3,875,000 (31 December 2020: HK$3,875,000) and HK$Nil (31 December 2020: HK$20,150,000) respectively.

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 2021.

INTERIM DIVIDEND

The Board recommended an interim dividend of HK$0.030 (2020: HK$0.027) per share to shareholders registered in the Company's register of members as at the close of business on Monday, 20 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 17 September 2021 to Monday, 20 September 2021 (both days inclusive). In order to establish entitlements to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 16 September 2021. Interim dividend will be paid on Wednesday, 6 October 2021 to shareholders registered in the Company's register of members as at the close of business on Monday, 20 September 2021.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021, 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.

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

PUBLICATION OF FINANCIAL INFORMATION

The interim report for the six months ended 30 June 2021 containing all the detailed information will be dispatched to the shareholders of the Company and published on the respective websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.leespharm.com) in due course.

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

Hong Kong, 26 August 2021

As at the date of this announcement, Ms. Lee Siu Fong (Chairman) and Ms. Leelalertsuphakun Wanee are executive Directors; Dr. Li Xiaoyi 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.