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)

FIRST QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

FINANCIAL HIGHLIGHT

	Three months ended 31 March		Change
	2020	2019	
	HK$'000	*HK$'000*	
Revenue	**272,984**	282,941	-3.5%
Gross profit	**180,518**	188,997	-4.5%
Profit attributable to the owners of the Company	**39,896**	46,954	-15.0%
	HK cents	*HK cents*	
Earnings per share			
Basic	**6.78**	7.93	-14.5%
Diluted	**6.78**	7.91	-14.3%

* *For identification purpose only*

QUARTERLY FINANCIAL STATEMENTS

The directors (the "**Directors**") of Lee's Pharmaceutical Holdings Limited (the "**Company**") present herewith the unaudited consolidated quarterly financial results (the "**Quarterly Results**") of the Company and its subsidiaries (collectively, the "**Group**") for the three months ended 31 March 2020, together with the comparative figures for the corresponding period in 2019. The Quarterly 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 this unaudited report for the three months ended 31 March 2020 before recommending it to the board of Directors for approval.

BUSINESS REVIEW

The business operating environment in China, including pharmaceutical sector, was over-casted by considerable uncertainties from COVID-19 pandemic at the start of the year 2020. Since January 2020, a number of provinces and municipalities in the Peoples' Republic of China (the "**PRC**") had adopted emergency public health measures and various actions to control the spread of the novel coronavirus, and the Group's business operations were affected to a certain extent. At the same time, the inflationary pressure in raw material costs, manufacturing and administrative overhead, as well as the rising tension between U.S. and China which brought the instability in exchange rates had posed additional challenges to the Group's profitability. In addition, the Group continued to deploy more resources on sales and distribution during the period under review. Nevertheless, the Group achieved slight increase in revenue on Renminbi-based and registered mild reduction in net profit attributable to the owners of the Company for the first quarter of 2020.

During the period under review, drugs for surgical use such as Livaracine® and Slounase® have been affected most as the hospitals inclined to postpone non-urgent surgeries, and the sales thereof dropped 33.1% and 34.8%, respectively, as compared to the same period last year. The sale of Yallaferon® was comparatively less affected, declined by 15.5% quarter-on-quarter, as it has been 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. Nevertheless, the demand for chronic disease medications remains intact during the period under review. Revenue of Carnitene® recorded a strong growth of 41.6%, revenue growth of Zanidip® was flat and revenue of Ferplex® decreased mildly by 9.2%. In addition, the timely approved generic Treprostinil Injection in March 2020 has instantly made contribution to the revenue for the first quarter of this year and partially compensated for the loss of revenue following the termination of distribution of Remodulin® by end of 2019. Overall, the Group generated revenue of HK$272,984,000 (For the three months ended 31 March 2019: HK$282,941,000) during the quarter under review, dropped 3.5% as compared to the same period last year when Renminbi currency has been weakened by 5.2% year-on-year.

Sales of licensed-in products accounted for 64.6% (For the three months ended 31 March 2019: 54.4%) of the Group's revenue while sales of proprietary and generic products contributed 35.4% (For the three months ended 31 March 2019: 45.6%) of the Group's revenue.

During the period under review, the Group's overall gross profit margin held at 66.1%, decreased by 0.7 percentage point as to 66.8% achieved in the same quarter of 2019 due to increase in proportion of licensed-in products.

Due to the COVID-19 pandemic, the Group's research and development ("**R&D**") activities for new drugs have been slowed down as well and HK$49,118,000 (For the three months ended 31 March 2019: HK$73,038,000) was spent in R&D activities during the first quarter of 2020, representing 18.0% (For the three months ended 31 March 2019: 25.8%) to the corresponding quarterly revenue. Among which HK$25,368,000 (For the three months ended 31 March 2019: HK$34,438,000) has been recognised as expenses and HK$23,750,000 (For the three months ended 31 March 2019: HK$38,600,000) 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 in order to explore new distribution channels and to prepare for the roll-out of new products during the period under review. Selling and distribution expenses to revenue ratio has increased to 24.2% (For the three months ended 31 March 2019: 17.1%). As a result, net profit attributable to the owners of the Company in the first quarter of 2020 was HK$39,896,000, decreased by 15.0% over the same quarter in 2019.

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 has been successfully produced and Investigational New Drug ("**IND**") is expected to be filed in July 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®, Prulifloxacin, 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 pediatric orphan disease by China's National Medical Products Administration ("**NMPA**").

The Group's applications for Abbreviated New Drug Application ("**ANDA**"), namely Treprostinil Injection, Fondaparinux, Sodium Phenylbutyrate Granule, Sodium Phenylbutyrate Tablet, Nadroparin Calcium 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 ("**PAH**") 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. 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 and Nadroparin Calcium has been requested by CDE and will be submitted soon. Bimatoprost is currently under review by the CDE.

On 28 April 2020, Lee's Pharmaceutical (HK) Limited ("**LPHK**"), a wholly-owned subsidiary of the Company, its NDA of Natulan® for the treatment of advanced Hodgkin's lymphoma ("**HL**") has been accepted for review by NMPA. The Group is expected to submit the priority review application of NDA by end of May 2020. In addition, several NDA and ANDA will be submitted before the end of year.

On 29 April 2020, LPHK has the first patient enrolled in the pivotal Phase III trial of 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.

In the area of oncology, the clinical studies for ZKAB001 (PD-L1) have made good progress during the period under review and up to date, particularly the study of ZKAB001 monotherapy in recurrent and metastatic cervical cancer.

The trial for cervical cancer is led by Doctor Lingying Wu as the principal investigator. The trial consists of two phases, a traditional open labeled 3+3 dose escalation phase followed by an expansion phase. So far the outcome of the expanded registration enabling clinical study of ZKAB001 for cervical cancer has been very encouraging. To date, 60 patients have been enrolled of whom 57 patients have had at least one radiographic response evaluation. Among those evaluated patients, the implied Objective Response Rate ("**ORR**") is double of reported ORR of other checkpoint inhibitors. The application for breakthrough therapy will be submitted when the procedure therefor introduced in the Drug Registration Regulations under the newly revised Drug Administration Law comes into effect on 1 July 2020. The application to the NMPA shall be made in 2020 after the attainment of the breakthrough therapy designation.

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

Following the completion of two other Phase I clinical trials for ZKAB001 in urothelial cancer and sarcoma, a pivotal Phase III study of ZKAB001 in combination with chemotherapy for the first line treatment of urothelial cancer and a pivotal Phase III study of ZKAB001 monotherapy for maintenance stage of sarcoma after its first line treatment (to compare the event-free survival (EFS)) will be initiated in this year. In addition, several studies are ongoing or being prepared for other solid tumors 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 the area of dermatology, COPFL had the last of the 1,617 enrolled patients completed the final study visit in its pivotal Phase III clinical trial of Adapalene-Clindamycin Combination Gel ("**ACCG**") for the treatment of moderate acne vulgaris in China on 7 April 2020. Clinical data collection and analysis are currently underway and top-line results are expected to be announced in June or July 2020, subject to successful database lock and results validation and NDA submission is expected during the second half of 2020.

In-licensing strategy is the Group's preferred mode of its business development, and an in-licensing deal which involves two new ophthalmic products is currently in progress. On 4 May 2020, Zhaoke (Hong Kong) Ophthalmology Pharmaceutical Limited ("**ZKO**"), an indirect non-wholly owned subsidiary of the Company, 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 binding letter of intent ("**LOI**") 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 signaling 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, and intend to complete the transaction by the third quarter of 2020.

One of the Group's strategic investments has reached a milestone subsequent to 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 provides 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 ("**PPI**"), 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 is in its testing phase and the production volume of masks is approximately 20,000 pieces daily.

PROSPECT

As mentioned earlier this year, the volatile and complicated macroeconomic and geopolitical environment has already brought up inflationary, foreign currency and other issues and such tension may not be eased in the near future. Together with the COVID-19 pandemic which could remain for a longer period of time, the Group foresees the challenging environment will be persisted throughout this year. Nevertheless, the Group will stay focus on its new drug development, sales organisation reform and expansion, and cost containment, and firmly believes that all these works to be done will eventually drive growth therefor and will eventually create more value for the shareholders.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2020

	Notes	For the three months ended 31 March	
		2020	2019
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	**272,984**	282,941
Cost of sales		**(92,466)**	(93,944)
Gross profit		**180,518**	188,997
Other income	4	**12,310**	10,978
Other gains and losses, net		**(1,489)**	(2,821)
Selling and distribution expenses		**(65,929)**	(48,357)
Administrative expenses		**(49,795)**	(49,990)
Provision for impairment loss on financial assets		**(211)**	(149)
Research and development expenses		**(25,368)**	(34,438)
Profit from operations		**50,036**	64,220
Finance costs		**(1,582)**	(1,204)
Share of results of associates		**(3,062)**	(2,558)
Profit before taxation		**45,392**	60,458
Taxation	5	**(11,394)**	(16,842)
Profit for the period		**33,998**	43,616
Attributable to:			
Owners of the Company		**39,896**	46,954
Non-controlling interests		**(5,898)**	(3,338)
		33,998	43,616
		HK cents	*HK cents*
Earnings per share:			
Basic	6	**6.78**	7.93
Diluted	6	**6.78**	7.91

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	For the three months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**33,998**	43,616
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(24,150)**	36,701
Share of other comprehensive expense of associates	**(99)**	–
Item that will not be reclassified subsequently to profit or loss:		
Fair value changes of financial assets at fair value through other comprehensive income	**(126,616)**	(60,210)
Other comprehensive expense for the period, net of tax	**(150,865)**	(23,509)
Total comprehensive (expense) income for the period	**(116,867)**	20,107
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	**(102,996)**	26,675
Non-controlling interests	**(13,871)**	(6,568)
	(116,867)	20,107

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020 (audited)	29,396	714,146	9,200	23,675	157,404	(8,386)	(97,707)	1,468,172	2,295,900	181,538	2,477,438
Employee share option benefits	–	–	–	1,386	–	–	–	–	1,386	–	1,386
Exercise of share options	10	667	–	(231)	–	–	–	–	446	–	446
Share of reserve of an associate	–	–	–	–	14	–	–	–	14	–	14
Share options lapsed	–	–	–	(39)	–	–	–	39	–	–	–
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	31,226	31,226
Profit (loss) for the period	–	–	–	–	–	–	–	39,896	39,896	(5,898)	33,998
Other comprehensive expense for the period											
– Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	(21,334)	–	(21,334)	(2,816)	(24,150)
– Share of other comprehensive expense of associates	–	–	–	–	(99)	–	–	–	(99)	–	(99)
– Fair value changes of financial assets at fair value through other comprehensive income	–	–	–	–	–	(121,459)	–	–	(121,459)	(5,157)	(126,616)
Total comprehensive (expense) income for the period	–	–	–	–	(99)	(121,459)	(21,334)	39,896	(102,996)	(13,871)	(116,867)
At 31 March 2020 (unaudited)	29,406	714,813	9,200	24,791	157,319	(129,845)	(119,041)	1,508,107	2,194,750	198,893	2,393,643

	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 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	–	–	–	1,261	–	–	–	–	1,261	–	1,261
Exercise of share options	14	1,828	–	(447)	–	–	–	–	1,395	–	1,395
Share of reserve of an associate	–	–	–	–	14	–	–	–	14	–	14
Gain on deemed disposal of interests in subsidiaries	–	–	–	–	444	–	–	–	444	11,962	12,406
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	2,340	2,340
Profit (loss) for the period	–	–	–	–	–	–	–	46,954	46,954	(3,338)	43,616
Other comprehensive income (expense) for the period											
– Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	36,715	–	36,715	(14)	36,701
– Fair value changes of financial assets at fair value through other comprehensive income	–	–	–	–	–	(56,994)	–	–	(56,994)	(3,216)	(60,210)
Total comprehensive (expense) income for the period	–	–	–	–	–	(56,994)	36,715	46,954	26,675	(6,568)	20,107
At 31 March 2019 (unaudited)	29,615	733,599	9,200	19,475	65,245	(23,268)	(43,521)	1,449,987	2,240,332	35,260	2,275,592

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards ("**HKASs**") 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 three months ended 31 March 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 reporting 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[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted

[2] 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. REVENUE

The principal activities of the Group are the developing, manufacturing and sales and marketing of pharmaceutical products. During the period, revenue represents the net amount received and receivable for goods sold by the Group to outside customers and are recognised at point in time as follows:

Business segments

	For the three months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Proprietary and generic products	**96,629**	129,149
Licensed-in products	**176,355**	153,792
	272,984	282,941

Geographical segments

During the three months ended 31 March 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 segmental information is presented.

4. OTHER INCOME

	For the three months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income on:		
Bank and pledged bank deposits	**2,767**	1,448
Advance to associates	**426**	376
Loan receivables	**–**	257
Total interest income	**3,193**	2,081
Rental and utilities income from associate	**300**	–
Development grants	**8,050**	5,762
Research and development service income	**30**	2,866
Sundry income	**737**	269
	12,310	10,978

5. TAXATION

	For the three months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	**7,242**	6,588
PRC Enterprise Income Tax	**–**	1,075
	7,242	7,663
Deferred tax		
Origination and reversal of temporary difference	**4,152**	9,179
	11,394	16,842

Hong Kong Profits Tax for the three months ended 31 March 2020 and 2019 is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 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.

6. 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 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings:		
Net profit attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**39,896**	46,954

	For the three months ended 31 March	
	2020	2019
	Share(s) '000	*Share(s) '000*
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**588,105**	592,104
Effect of dilutive potential ordinary shares:		
Options	**12**	1,199
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**588,117**	593,303

7. 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 three months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**426**	376
Rental and utilities income	**300**	–

(b) Compensation of key management personnel

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

	For the three months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term employee benefits	**5,943**	4,876
Share-based payments	**790**	653
Retirement and other post-employment benefits	**5,039**	2,261
– Defined contribution plan	**9**	12
– Retirement benefits	**5,030**	2,249
	11,772	7,790

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

During the three months ended 31 March 2020, total HK$1,175,000 (for the three months ended 31 March 2019: HK$1,119,000) 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 of 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 three months ended 31 March 2020, included in finance costs there was interest expenses for loans from PCH amounting to HK$147,000 (for the three months ended 31 March 2019: HK$51,000).

8. CAPITAL COMMITMENTS

	31 March 2020	31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital commitments contracted for in respect of:		
Investment in financial assets at fair value through other comprehensive income	**24,472**	29,892
Intangible assets – license fee and development cost	**111,644**	103,455
Property, plant and equipment	**113,782**	100,452
	249,898	233,799

DIVIDEND

The Board does not recommend payment of dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

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 three months ended 31 March 2020.

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

Hong Kong, 26 May 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.