

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

FINANCIAL HIGHLIGHT						
	Three months ended			Nine months ended		
	30 September		Change	30 September		Change
	2022	2021		2022	2021	
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Revenue	387,016	368,335	+5.1%	1,036,182	952,387	+8.8%
Gross profit	242,323	248,250	-2.4%	661,801	634,796	+4.3%
Profit attributable to the owners of the Company	34,224	13,843	+147.2%	62,684	2,169,043	-97.1%
	HK cents	HK cents		HK cents	HK cents	
Earnings per share						
Basic	5.81	2.35	+147.2%	10.65	368.52	-97.1%
Diluted	5.81	2.35	+147.2%	10.65	368.34	-97.1%

* 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 and nine months ended 30 September 2022, together with the comparative figures for the corresponding period in 2021. 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 (the “**HKICPA**”). The audit committee of the Company has also reviewed with the management and the Auditor the Quarterly Results before recommending it to the board of Directors (the “**Board**”) for approval.

BUSINESS REVIEW

There was no major change to the “dynamic-zero” policy in China to contain the outbreak of COVID and the business environment in the region remained tough during the third-quarter 2022. Against the backdrop of a sagging economy in the region, the Group’s revenue growth remained moderate in the quarter under review and delivered a stable performance in the first nine months of the year.

Revenue and Profit

First nine months of 2022 revenue of the Group totalled HK\$1,036,182,000 (First nine months of 2021: HK\$952,387,000), an increase of 8.8% compared to the same period last year. Third-quarter 2022 revenue of the Group totalled HK\$387,016,000 (Third-quarter 2021: HK\$368,335,000), an increase of 5.1% compared to the prior-year quarter and a sequential increase of 19.3% over second-quarter 2022. First nine months of 2022 sales growth was primarily driven by the sales of newly launched BredininTM since third-quarter last year which grew by 293.5%, as well as Treprostinil Injection and Yallaferon[®] which grew by 30.8% and 3.1%, respectively, and offset lower sales of out-patient drugs such as Ferplex[®] and surgical drugs such as Livaracine[®] and Slounase[®].

Sales of licensed-in products in the first nine months of 2022 accounted for 61.7% (First nine months of 2021: 58.5%) of the Group’s revenue while sales of proprietary and generic products in the first nine months of 2022 contributed 38.3% (First nine months of 2021: 41.5%) of the Group’s revenue.

First nine months of 2022 gross profit of the Group was HK\$661,801,000 (First nine months of 2021: HK\$634,796,000), an increase of 4.3% compared to the same period last year. Third-quarter 2022 gross profit of the Group was HK\$242,323,000 (Third-quarter 2021: HK\$248,250,000), a decrease of 2.4% compared to the prior-year quarter. Third-quarter 2022 gross profit margin of the Group was 62.6%, decreased by 4.8 percentage points as compared

to 67.4% achieved during the prior-year quarter. The Group's gross profit margin was 63.9% in the first nine months of 2022, decreased by 2.8 percentage points as to 66.7% achieved in the same period last year. The decreased gross profit margin was mainly attributable to the increased purchase price on certain licensed-in products during the quarter under review.

Research and development (“**R&D**”) expenses represented new drugs development in major therapeutic areas such as cardiovascular, woman health, paediatrics, rare diseases, dermatology and obstetrics, as well as in oncology under a separate R&D arm within the Group. An aggregate of HK\$293,795,000 has been spent in the first nine months of 2022 (First nine months of 2021: HK\$345,218,000), decreased by 14.9% compared to the same period last year and represented 28.4% to the corresponding revenue for the period (First nine months of 2021: 36.2%). Among which HK\$166,853,000 (First nine months of 2021: HK\$180,448,000) has been recognised as expenses and HK\$126,942,000 (First nine months of 2021: HK\$164,770,000) has been capitalised as intangible assets. In addition, the Group has paid a license fee of HK\$7,800,000 in July 2022 for the development, marketing and commercialisation right of Renazorb® and the license fee thereof has been recognised as intangible assets during the first nine months of 2022 (First nine months of 2021: HK\$100,446,000). The Group continues to optimise the resources allocation among prioritised R&D projects and the cost-saving effect thereof has continued to show.

The Group's selling and distribution expenses was HK\$269,121,000 in the first nine months of 2022, representing an increase of HK\$10,258,000 or 4.0% compared to HK\$258,863,000 in the same period last year. Overall, the selling expenses to revenue ratio during the first nine months of 2022 was 26.0%, decreased by 1.2 percentage points as to 27.2% same period last year. In March 2022, the Group has launched its own flagship online stores on e-commerce platform of Alibaba.com and JD.com to strengthen its brand awareness and expand its sales channels. The Group continues to deploy adequate resources to support the works for strengthening the distribution channels, preparing for the roll-out of new and upcoming products, as well as transforming the brand of selected products of the Group.

Overall, net profit attributable to the owners of the Company in the first nine months of 2022 was HK\$62,684,000, decreased by 97.1% over the same period in 2021, and was mainly attributable to the net effect of (i) the absence of one-off gain of approximately HK\$2.32 billion attributable to the derecognition of the investment in Zhaoke Ophthalmology Limited as an associate of the Company in April 2021; (ii) the absence of an aggregate one-time loss of approximately HK\$190.1 million attributable to the estimated impairment of intangible assets due to the optimisation of R&D portfolio in the second-quarter 2021; and (iii) the absence of one-time loss of approximately HK\$40.2 million attributable to the full impairment for the licensing fee and development cost for a launched oral antihypertensive product previously capitalised, in the second-quarter 2021.

Manufacturing Facilities and Production Capability

Over the years, there have been considerable changes and upgrades in the Group's manufacturing and production capability. During the period under review and up to date, the Group's Hefei site has completed the production capacity expansion and process scale up facility upgrades of Yallaferon[®], same line production facility upgrades for new pre-filled syringe injection products before introduction to the market, and the making of registration batch of new product in the form of oral lyophilised powder used as sensitiser in surgery for tumor. In Nansha site, the process scale up equipment installation and commission for the manufacturing of inhaled pharmaceutical aerosols has been completed and will have the process scale up pilot run soon, the production process upgrades for oral dose antihypertension drug is in progress, and the making of three pivotal registration batches of the oral cytotoxic drugs in the special workshop has been completed.

Drug Development

To date, the Group has over 40 projects in its pipeline from early- to late-stage development. The applications made in the prior year for New Drug Application (“NDA”) of Adasuve[®], and for Abbreviated New Drug Application (“ANDA”), namely Epinastine Hydrochloride tablet and Apremilast tablet (阿普米司特片), are under review by the Centre for Drug Evaluation (the “CDE”).

Major Therapeutic Areas

The Group is currently developing several assets in major therapeutic areas, such as cardiovascular, woman health, paediatrics, rare diseases, dermatology and obstetrics, which includes late-stage programs such as (1) Cetraxal[®] Plus for acute otitis externa (AOE) and acute otitis media with tympanostomy tubes (AOMT) which has completed its Phase III clinical trial stage and has filed application to the CDE in October 2022; and (2) Intrarosa[®] in the treatment of vulvovaginal atrophy (VVA) which is currently in Phase III clinical trial stage and has completed the patient enrolment in October 2022.

Oncology Pipeline

China Oncology Focus Limited (“COF”), a 65% owned subsidiary of the Group, is a clinical development stage company and the Group's R&D arm focused on oncology with emphasis in immuno-oncology. To date, COF has built a pipeline of 10 oncology assets, including 6 innovative and 4 generics, through internal development and in-licensing, and is currently developing several assets, including (1) Socazolimab (an anti-PD-L1 antibody) in recurrent or metastatic cervical cancer in new drug application stage in China; (2) Socazolimab in osteosarcoma in Phase III clinical trial; (3) Socazolimab combined with chemotherapy in small cell lung cancer in Phase III clinical trial and has completed the patient enrollment in May 2022; (4) Zotiraciclib, an oral multi-kinase inhibitor in Phase I clinical trial for glioblastoma; (5) Gimatecan, a topoisomerase I inhibitor in Phase II clinical trial for ovarian cancer and in

Phase Ib/II clinical trial for small cell lung cancer and a Phase I clinical trial for pancreatic cancer in China; and (6) Socazolimab combined with Pexa-vec (oncolytic virus) which is in Phase Ib clinical trial for melanoma.

During the period under review and up to date, the Group obtained 7 ANDA and Import Drug License (“**IDL**”) approvals from the China’s National Medical Products Administration (“**NMPA**”).

Zingo[®]

On 1 March 2022, the Drug Registration Certificate for Zingo[®] (Lidocaine Hydrochloride Powder Intradermal Injection System) has been obtained from the NMPA. Zingo[®] is an amide local anesthetic indicated for use on intact skin to provide local analgesia prior to venipuncture or peripheral intravenous cannulation in children 3–18 years of age and to provide topical local analgesia prior to venipuncture in adults. The rapid onset of analgesia in 1–3 minutes provides care givers and patients the opportunity for a pain-free and needle-free access procedure.

INOMax[®]

On 8 March 2022, the Drug Registration Certificate for INOMax[®] (nitric oxide gas for inhalation) has been obtained from the NMPA. INOMax[®] is a therapy for the treatment of hypoxic respiratory failure (“**HRF**”) associated with pulmonary hypertension (“**PPHN**”) in term and near-term infants greater than 34 weeks gestational age. PPHN is a serious condition in which blood vessels in the lungs constrict, making it difficult to oxygenate blood, often resulting in HRF. INOMax[®] is a vasodilator which selectively relaxes pulmonary blood vessels and, in conjunction with ventilatory support and other appropriate agents, improves oxygenation in this fragile newborn population.

High Concentration Treprostinil Injection

On 9 March 2022, the Drug Registration Certificate for High Concentration Treprostinil Injection (specification: 20ml:50mg) developed and manufactured by Zhaoke Pharmaceutical (Hefei) Company Limited, a wholly-owned subsidiary of the Company, has been obtained from the NMPA.

Natulan[®]

On 21 April 2022, the Drug Registration Certificate for Natulan[®] (Procarbazine Hydrochloride Capsules) has been obtained from the NMPA. Natulan[®] has been approved for combining with chemotherapy to treat Hodgkin’s lymphoma (HL) in adult.

Teglutik®

On 31 May 2022, the Drug Registration Certificate for Teglutik® (Riluzole Oral Suspension) has been obtained from the NMPA. Teglutik® has been approved to prolong life or delay the institution of mechanical ventilation in patients with amyotrophic lateral sclerosis (ALS).

Nadroparin Calcium Injection

On 31 May 2022, the Drug Registration Certificate for Nadroparin Calcium Injection has been obtained from the NMPA.

Azilsartan Tablets

On 20 September 2022, the Drug Registration Certificate for generics of Azilsartan Tablets has been obtained from the NMPA. Azilsartan Tablets has been approved to treat hypertension.

In addition, on 26 October 2022, AU409, an investigational first-in-class compound with oral active in models of hepatocellular carcinoma developed by Auransa Inc. and manufactured by Zhaoke Pharmaceutical (Guangzhou) Limited, a wholly-owned subsidiary of the Company, has been approved by the United States Food and Drug Administration to conduct clinical trial in patients with advanced primary liver cancers or advanced solid tumor with liver predominant metastatic disease in the United States.

Business Partnership

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. On 18 July 2022, the Group has entered into a license agreement with Unicycive Therapeutics, Inc., a NASDAQ-listed company, pursuant to which the Group has been granted exclusive rights to develop, market and commercialise Renazorb® (lanthanum dioxycarbonate) in Mainland China, Hong Kong, and certain other Asian markets. Renazorb® is a novel phosphate binding agent being developed for the treatment of hyperphosphatemia in chronic kidney disease (CKD) patients.

Corporate Development

On 22 September 2022, the Group has entered into the Equity Transfer Agreement with the purchaser to dispose 100% equity interest in the Guangzhou Zhaokang Hospital Company Limited* (廣州兆康醫院有限公司), an indirect wholly-owned subsidiary of the Company which owns the land use right in the land parcel located at Huangge Da Dao West, Huangge Zhen, Nansha District, Guangzhou, the People's Republic of China specifically for medical and sanitary use, at the consideration of RMB200,000,000 (approximately HK\$226,000,000), details of which has been set out in the announcement of the Company dated 22 September 2022. To date, the transaction is yet to be completed pending fulfillment of the conditions including, among others, the completion of due diligence investigation.

PROSPECTS

Towards the end of 2022, the Group remains of the view that the tough environment will be persisted amid uncertainties on various external factors such as COVID pandemic, geopolitical tensions and rising inflation, and foresees that pressure on drug prices will continue to be one of the key challenges to industry players as China is still facing the problem of promoting the growth of its pharmaceutical industry while ensuring affordable and easily accessible drugs for its patient population. The Group will closely monitor the impact thereof and will continue to implement tight cost control and to keep expenditure within the limits of revenue.

The expiration of the licensing agreement of Carnitene[®], which was used to be the flagship product for over a decade, marks the beginning of a new era of the Group. Nevertheless, given the current volume-based procurement (“VBP”) program in China, it is expected that the competitive edge of imported originator products will be gradually diminishing when the localised affordable generics become more widely available. The Group will continue to seek the opportunity to develop the domestic generic versions to pave the way for the Group’s long-term prosperity. In the ensuing year, the Group will seek to reach new benchmarks in the sales of newly approved products to gradually fill the revenue gap.

Furthermore, the Group has implemented a series of measures to adapt to the “new normal” and to emphasis efficiency at every step of the value chain, particularly in key areas such as sales and R&D, after taking the present conditions into consideration, and the effect has continued to show.

The Group will continue to 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 to reward its shareholders, staff and customers for their support.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 30 September 2022

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	387,016	368,335	1,036,182	952,387
Cost of sales		(144,693)	(120,085)	(374,381)	(317,591)
Gross profit		242,323	248,250	661,801	634,796
Other income	4	19,490	19,690	65,192	84,628
Other gains and losses, net		(4,415)	(2,310)	(9,642)	2,090,956
Selling and distribution expenses		(92,906)	(94,745)	(269,121)	(258,863)
Administrative expenses		(58,253)	(92,077)	(169,328)	(216,278)
Net (provision for)/reversal of expected credit losses on financial assets		(1,710)	598	(1,963)	179
Research and development expenses		(50,263)	(67,549)	(166,853)	(180,448)
Profit from operations		54,266	11,857	110,086	2,154,970
Finance costs		(1,794)	(1,752)	(5,293)	(4,275)
Share of results of associates		(227)	(62)	(753)	(3,373)
Profit before taxation		52,245	10,043	104,040	2,147,322
Taxation	5	(20,630)	1,041	(45,343)	(2,336)
Profit for the period		31,615	11,084	58,697	2,144,986
Attributable to:					
Owners of the Company		34,224	13,843	62,684	2,169,043
Non-controlling interests		(2,609)	(2,759)	(3,987)	(24,057)
		31,615	11,084	58,697	2,144,986
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share:					
Basic	7	5.81	2.35	10.65	368.52
Diluted	7	5.81	2.35	10.65	368.34

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2022

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period	31,615	11,084	58,697	2,144,986
Other comprehensive (expense)/income:				
Items that may be reclassified subsequently to profit or loss:				
– Exchange differences on translation of financial statements of overseas subsidiaries	(71,548)	9,531	(121,359)	21,563
– Share of other comprehensive income of associates	–	–	–	46
Item that will not be reclassified subsequently to profit or loss:				
– Fair value changes of financial assets at fair value through other comprehensive income	(201,277)	(602,504)	(493,142)	(1,384,331)
Other comprehensive expense for the period, net of tax	(272,825)	(592,973)	(614,501)	(1,362,722)
Total comprehensive (expense)/income for the period	(241,210)	(581,889)	(555,804)	782,264
Total comprehensive (expense)/income for the period attributable to:				
Owners of the Company	(238,041)	(578,825)	(549,039)	810,978
Non-controlling interests	(3,169)	(3,064)	(6,765)	(28,714)
	(241,210)	(581,889)	(555,804)	782,264

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2022

	Attributable to the owners of the Company								Attributable to non-controlling interests	Total	
	Share capital	Share premium	Merger difference	Share-based compensation reserve	Other reserves	Investments revaluation reserve	Exchange reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2022 (audited)	29,442	720,091	9,200	55,964	65,302	(1,948,815)	22,838	3,510,556	2,464,578	(73,416)	2,391,162
Employee share option benefits	-	-	-	9,382	-	-	-	-	9,382	-	9,382
Profit/(loss) for the period	-	-	-	-	-	-	-	62,684	62,684	(3,987)	58,697
Other comprehensive expense for the period											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(120,628)	-	(120,628)	(731)	(121,359)
- Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	(491,095)	-	-	(491,095)	(2,047)	(493,142)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(491,095)	(120,628)	62,684	(549,039)	(6,765)	(555,804)
2021 final dividend paid	-	-	-	-	-	-	-	(18,254)	(18,254)	-	(18,254)
2022 interim dividend paid	-	-	-	-	-	-	-	(5,888)	(5,888)	-	(5,888)
At 30 September 2022 (unaudited)	<u>29,442</u>	<u>720,091</u>	<u>9,200</u>	<u>65,346</u>	<u>65,302</u>	<u>(2,439,910)</u>	<u>(97,790)</u>	<u>3,549,098</u>	<u>1,900,779</u>	<u>(80,181)</u>	<u>1,820,598</u>
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	-	-	-	13,464	-	-	-	-	13,464	-	13,464
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	-	-	-	-	-	-	-	2,169,043	2,169,043	(24,057)	2,144,986
Other comprehensive income/(expense) for the period											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	21,453	-	21,453	110	21,563
- Share of other comprehensive income of associates	-	-	-	-	46	-	-	-	46	-	46
- Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	(1,379,564)	-	-	(1,379,564)	(4,767)	(1,384,331)
Total comprehensive income/(expense) for the period	-	-	-	-	46	(1,379,564)	21,453	2,169,043	810,978	(28,714)	782,264
2020 final dividend paid	-	-	-	-	-	-	-	(18,254)	(18,254)	-	(18,254)
At 30 September 2021 (unaudited)	<u>29,442</u>	<u>720,091</u>	<u>9,200</u>	<u>52,540</u>	<u>65,302</u>	<u>(1,633,719)</u>	<u>6,610</u>	<u>3,710,088</u>	<u>2,959,554</u>	<u>(63,131)</u>	<u>2,896,423</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2022

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.

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 2021.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the nine months ended 30 September 2022 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2021 except as described below.

In the current reporting period, the Group has applied the following amendments to HKFRS issued by the HKICPA for the first time which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s unaudited condensed consolidated financial statements. HKFRS comprise Hong Kong Financial Reporting Standards; HKASs; and HK (IFRIC) Interpretations, HK Interpretations and HK (SIC) Interpretations.

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of these amendments to HKFRS 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 HKFRS that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction 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 2023, earlier application is permitted

² Effective date to be determined

The Group has already commenced an assessment of the impact of these new and amendments to HKFRS but is not yet in a position to state whether these new and amendments to HKFRS 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		For the nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Proprietary and generic products	144,946	145,766	397,033	395,401
Licensed-in products	242,070	222,569	639,149	556,986
	<u>387,016</u>	<u>368,335</u>	<u>1,036,182</u>	<u>952,387</u>

Geographical segments

During the three months and nine months ended 30 September 2022 and 2021, 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 30 September		For the nine months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interest income on:				
Bank deposits	621	535	1,804	1,927
Financial assets at fair value through profit or loss	–	–	–	83
Advance to associates	–	868	–	2,447
	<hr/>	<hr/>	<hr/>	<hr/>
Total interest income	621	1,403	1,804	4,457
Development and government grants	623	2,443	17,717	13,058
Rental and utilities income	4,301	3,801	10,298	8,721
Research and development service income	9,845	8,205	29,065	53,209
Sundry income	4,100	3,838	6,308	5,183
	<hr/>	<hr/>	<hr/>	<hr/>
	19,490	19,690	65,192	84,628
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

5. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current tax				
Hong Kong Profits Tax	7,067	(7,120)	19,503	8,082
PRC Enterprise Income Tax	(362)	1,993	–	1,993
	<hr/>	<hr/>	<hr/>	<hr/>
	6,705	(5,127)	19,503	10,075
Under/(over) provision in prior years				
Hong Kong Profits Tax	5,376	171	5,376	171
PRC Enterprise Income Tax	–	(1)	–	(531)
	<hr/>	<hr/>	<hr/>	<hr/>
	5,376	170	5,376	(360)
Deferred tax				
Origination and reversal of temporary differences	8,549	3,916	20,464	(7,379)
	<hr/>	<hr/>	<hr/>	<hr/>
	20,630	(1,041)	45,343	2,336
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax for the three and nine months ended 30 September 2022 is calculated at 8.25% (three and nine months ended 30 September 2021: 8.25%) on the first HK\$2 million of the estimated assessable profits and at 16.5% (three and nine months ended 30 September 2021: 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. DIVIDENDS

An interim dividend for the six months ended 30 June 2022 of HK\$0.010 per share, totalling approximately HK\$5,888,000 (six months ended 30 June 2021: HK\$0.030 per share, totalling approximately HK\$17,665,000) was declared on 26 August 2022 and paid on 27 September 2022.

The board of directors does not recommend the payment of other interim dividend for the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

7. 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 September		For the nine months ended 30 September	
	2022	2021	2022	2021
	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	<u>34,224</u>	<u>13,843</u>	<u>62,684</u>	<u>2,169,043</u>
	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
	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	<u>588,835</u>	<u>588,835</u>	<u>588,835</u>	<u>588,586</u>
Effect of dilutive potential ordinary shares:				
Options	<u>–</u>	<u>195</u>	<u>–</u>	<u>282</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>588,835</u>	<u>589,030</u>	<u>588,835</u>	<u>588,868</u>

8. 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 nine months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interest income	–	2,447
Rental and utilities income	–	4,231
Research and development service income	–	21,798
Purchase of consumable	–	2,850
	<u>–</u>	<u>21,326</u>

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the reporting period was as follows:

	For the nine months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Short-term employee benefits	12,819	39,292
Share-based payments	6,515	8,343
Retirement and other post-employment benefits	5,414	18,012
– Defined contribution plan	14	12
– Retirement benefits	5,400	18,000
	<u>24,748</u>	<u>65,647</u>

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

During the nine months ended 30 September 2022, a total of HK\$1,900,000 (nine months ended 30 September 2021: HK\$1,250,000) 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.

9. CAPITAL COMMITMENTS

	30 September 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Capital commitments contracted for in respect of:		
Financial assets at fair value through other comprehensive income	24,505	39,119
Intangible assets – license fee and development cost	125,790	125,162
Property, plant and equipment	77,073	85,567
	227,368	249,848

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 nine months ended 30 September 2022.

DIVIDEND

The Board does not recommend payment of dividend for the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

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

Hong Kong, 17 November 2022

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