



李 氏 大 藥 廠

Lee's Pharmaceutical Holdings Limited
李 氏 大 藥 廠 控 股 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 950)



First Quarterly Report

2011

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT*For the three months ended 31 March 2011*

	<i>Notes</i>	For the three months ended 31 March	
		2011 HK\$'000	2010 HK\$'000
Turnover	(2)	73,679	44,609
Cost of sales		(19,355)	(12,121)
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Gross profit		54,324	32,488
Other revenue		1,203	1,011
Gain on deemed disposal of a subsidiary		–	234
Gain on deemed disposal of associates	(3)	6,441	–
Selling and distribution expenses		(31,153)	(12,888)
Research and development expenses		(3,617)	(1,421)
Administrative expenses		(7,856)	(6,257)
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Profit from operations		19,342	13,167
Finance costs		(259)	(217)
Share of results of associates	(4)	(273)	(228)
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Profit before taxation		18,810	12,722
Taxation	(5)	(1,834)	(2,013)
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Profit for the period		16,976	10,709
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Attributable to:			
Shareholders of the Company		16,894	10,709
Non-controlling interests		82	–
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		16,976	10,709
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		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	(6)	3.62	2.38
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Diluted	(6)	3.52	2.32
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2011

	For the three months ended 31 March	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the period	16,976	10,709
Other comprehensive income:		
Exchange differences on translation of:		
– Financial statements of overseas subsidiary	783	–
– Revaluation of overseas buildings	33	–
Release of share of other reserves of associates	(5,855)	–
Other comprehensive expenses for the period, net of tax	(5,039)	–
Total comprehensive income for the period	11,937	10,709
Total comprehensive income attributable to:		
Shareholders of the Company	11,853	10,709
Non-controlling interests	84	–
	11,937	10,709

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2011

1. Basis of preparation and principal accounting policies

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong, Accounting Standards and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Listing Rules. They have been prepared under the historical cost convention, as modified by the revaluation of leasehold buildings.

The accounting policies and method of computation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2010 except as described below.

In the current period, the Group has applied the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 7 and HKAS 1 ¹
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKAS 24 (as revised in 2009)	Related Party Disclosures ³
HKAS 32 (Amendments)	Classification of Rights Issues ⁴
HK(IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 February 2010

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The amendments to HKFRS 7 titled *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The amendments to HKAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) – Int 19 will affect the required accounting. In particular, under HK(IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and difference between the carrying amount of financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe hyperinflation and fixed dates for first-time adopters ¹
HKFRS 9 (Revised)	Financial Instruments ³
HKAS 12 (Amendments)	Income Taxes-Amendments ²

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measurement at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

The consolidated results for the three months ended 31 March 2011 have not been audited by the Group's auditors, but have been reviewed by the Group's auditors and the audit committee.

2. Turnover

The principal activities of the Group are development, manufacturing and sales of pharmaceutical products. During the period, turnover represents the net amount received and receivable for goods sold by the Group to outside customers and recognised as follows:

Business segments

	For the three months ended 31 March	
	2011 HK\$'000	2010 HK\$'000
Proprietary products	38,956	24,752
License-in products	34,723	19,857
	73,679	44,609

Geographical segments

During the period ended 31 March 2011 and 2010, more than 90% of the Group's turnover was derived from activities conducted in the People's Republic of China (the "PRC"), no geographical segmental information is presented.

3. Gain on deemed disposal of associates

	For the three months ended 31 March	
	2011 HK\$'000	
Fair value at the date of deemed disposal of associates		8,849
Carrying amount of investment on the date of deemed disposal of associates		(8,263)
Release of share of other reserves of associates		5,855
Gain on deemed disposal of associates		6,441

On 2 March 2011, Powder Pharmaceuticals Incorporated ("Powder") issued 30,000 shares to new shareholders and the Group's equity interests in Powder reduced from 25.36% to 15.85%. Hence, investment in Powder became available-for-sales financial asset as the Group has lost the significant influence over Powder.

4. Share of results of associates

Summarised financial information in respect of the Group's associates is set out below:

	<i>HK\$'000</i>
Total loss for the period to the date of disposal	1,077
Group's share of loss of associates	273

5. Taxation

	For the three months ended 31 March	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
PRC Enterprise Income Tax	325	469
Deferred tax		
Provision of current period	1,509	1,544
Taxation attributable to the Group	1,834	2,013

Tax arising in the PRC is calculated at the rates of tax prevailing in the PRC.

6. Earnings per share

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

	For the three months ended 31 March	
	2011	2010
Net profit attributable to shareholders for the purpose of basic and diluted earnings per share	HK\$16,894,317	HK\$10,709,260
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	466,255,548	450,293,770
Effect of dilutive potential ordinary shares: options	13,025,653	12,013,468
Weighted average number of ordinary shares for the purpose of diluted earnings per share	479,281,201	462,307,238

7. Share capital and reserves

	Attributable to the shareholders of the Company								Attributable to non-controlling interests		Total
	Share capital	Share premium	Share-based				Exchange reserve	Retained profits	Sub-total	interests	
			Merger difference	compensation reserve	Other reserves	Revaluation reserve					
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2011	23,292	103,143	9,200	1,969	5,855	3,818	5,774	88,013	241,064	284	241,348
Employee share option benefits	-	-	-	309	-	-	-	-	309	-	309
Exercise of share options	22	475	-	(40)	-	-	-	-	457	-	457
Profit for the period	-	-	-	-	-	-	-	16,894	16,894	82	16,976
Other comprehensive expenses for the period	-	-	-	-	(5,855)	33	781	-	(5,041)	2	(5,039)
Total comprehensive income for the period	-	-	-	-	(5,855)	33	781	16,894	11,853	84	11,937
At 31 March 2011	23,314	103,618	9,200	2,238	-	3,851	6,555	104,907	253,683	368	254,051
At 1 January 2010	22,506	63,491	9,200	1,190	-	3,689	2,950	41,704	144,730	-	144,730
Employee share option benefits	-	-	-	189	-	-	-	-	189	-	189
Exercise of share options	13	135	-	(37)	-	-	-	-	111	-	111
Total comprehensive income for the period	-	-	-	-	-	-	-	10,709	10,709	-	10,709
At 31 March 2010	22,519	63,626	9,200	1,342	-	3,689	2,950	52,413	155,739	-	155,739

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: Nil).

BUSINESS REVIEW

Given some uncertainties in pharmaceutical market in China in the last six months, the Group was extremely encouraged by its accelerated pace in growth momentum achieved in the first quarter of 2011. Both turnover and net profit registered significant increase over the same period in 2010 with sales and net profit up 65.2% and 57.8% respectively to reach the level of HK\$73,679,000 and HK\$16,894,000 respectively.

The acceleration in sales growth was catalyzed by strong performance of both *Slounase*[®] and *Carnitene*[®] with a growth rate of 77% and 60% respectively. Both products are the newly entrant of new national pharmaceutical reimbursement list that has been coming into effect on province-by-province base since fourth quarter of last year. Other existing products also saw increasing demand with *Livaracine*[®] and *Ferplex*[®] achieving growth of 51% and 47% respectively for the first quarter 2011 compared with same period last year.

Gross profit margin kept improving in the quarter under review to reach 73.7% and surpassed the highest level of 72.8% achieved in the first quarter of 2010. It was a more than 5% sequential increase to the level achieved in the fourth quarter of 2010. The decrease in raw material cost and the increase in productivity contributed to the improvement in the gross profit margin.

During the period, the Group earned a gain of HK\$ 6,441,000 on deemed disposal of associates Powder Pharmaceuticals Incorporated which was resulted upon further issuance of its capital to third parties. The equity interest of Powder Pharmaceuticals Incorporated held by the Group changed from 25.36% to 15.85%.

The Group maintained its intensity in building the direct sales force and continued to investing in new product launch and medical marketing for existing products. As a result, selling expenses to turnover ratio increased from 29% for the first quarter last year to 42% for the first quarter this year. However, it is expected that the current level will start to decrease in the coming quarter as revenue generated by the direct sales force becomes more substantial to the overall turnover. Today, the Group's "hybrid engine" model for marketing and sales in which the well established distributor network is combined with the well coverage direct sales force, allows the Group to fully leverage its resources and positions the Group to become more efficient in the market place.

Important milestones have also been reached in research and development during the first quarter of 2011. *Declotana*[®], the Group's proprietary, first-in-class platelet 1b antagonist, has completed its phase I clinical study. The results show that *Declotana*[®] possesses excellent safety profile with strong anti-platelet activity. The planning for the phase II study is ongoing and the trial will be started in the early second half of 2011.

Enrollment target for the registration clinical study in China on Apogepha's original product, *Mictonorm*[®] *XL*, to evaluate the effectiveness and safety for treatment in Chinese patients with urinary incontinence was reached in the first quarter of 2011. Study report will be ready by June this year for applying Import Drug License from China SFDA.

In addition, clinical study applications for both ZK007 for dry eye and ZK008 for acne have been submitted to China SFDA in the first quarter of 2011. Both drugs have proprietary formulation and are originated from the Group's in-house research and development programs. Several other submissions aimed at better life cycle management of the existing products have also been made in the first quarter and are now under review by China SFDA. Those efforts could yield significant long term benefit to the existing products and enhance greatly their competitiveness in the market place.

PROSPECT

With strong results in the first quarter, the Group is confident to maintain the growth momentum in the remaining quarters and beyond.

The existing products will continue to benefit from the healthcare reform in China that has significantly improved the affordability of pharmaceuticals to Chinese patients. The rising consciousness in personal health and an aging population also fuel the demand for effective service and products.

The direct sales force is starting to perform which will drive the sales of newer products such as *Zanidip*[®]. It will result in the broader market penetration for the Group's products and the wider revenue base for the Group.

The expected launch of *Brio*[®] PTCA Balloon Catheters licensed from Carbostent & Implantable Devices S.r.l. for the treatment of acute coronary syndrome and *Gaslon N*[®] licensed from Nippon Shinyaku for the treatment of gastric ulcer in the second quarter this year will certainly create new avenue for revenue growth. The expected approval and subsequent launch of one or two additional new products later this year will together generate significant market activities, enhancing the brand awareness of all the Group's products in the market place.

Last but not least, two of the most important development programs of the Group are expected to enter into phase II clinical study in the second quarter. *Declotana*[®], the first in class anti-platelet product discovered and developed in house will be tested for efficacy in ST elevated myocardial infarction patients who undergo emergency PTCA procedure. JX-594, a second generation oncolytic virus licensed from Jenerex will be studied for survival benefit in patients with sorafenib-refractory hepatocellular carcinoma. If the efficacy of both drugs is confirmed in large randomized trials, they could represent major new treatment options for both diseases. The Group believes the commitment that it is making in development of products for significant unmet medical need will be the key to deliver sustained growth for the Group in future.

The Group will speed up its efforts in expanding the market penetration of its products and in product development in the coming quarter, paving the way for faster growth and better return to its shareholders.

SHARE OPTION SCHEME

Pursuant to a written resolution passed by all shareholders of the Company on 26 June 2002, the Company, among others, conditionally adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme"), the principal terms of which are set out in the Prospectus.

Movements of the share option during the period ended 31 March 2011 were as follows:

Grantees	Date of Grant	Number of share options				Outstanding at 31.3.2011
		Outstanding at 1.1.2011	Granted	Exercised	Cancelled	
Directors						
Lee Siu Fong	25.09.2009	448,000	-	-	-	448,000
	20.12.2010	465,000	-	-	-	465,000
Leelalertsuphakun Wanee	27.08.2009	448,057	-	(448,000)	(57)	-
	06.09.2010	450,000	-	-	-	450,000
Li Xiaoyi	13.01.2003	2,890,000	-	-	-	2,890,000
	25.09.2009	448,000	-	-	-	448,000
	20.12.2010	465,000	-	-	-	465,000
Mauro Bove	11.07.2005	500,000	-	-	-	500,000
	02.06.2006	500,000	-	-	-	500,000
	20.12.2010	300,000	-	-	-	300,000
Lam Yat Cheong	11.07.2005	300,000	-	-	-	300,000
Sub-total of Directors		7,214,057	-	(448,000)	(57)	6,766,000
Employees						
	13.01.2003	150,000	-	-	-	150,000
	25.06.2004	2,240,000	-	-	-	2,240,000
	11.07.2005	2,350,000	-	-	-	2,350,000
	02.01.2008	700,000	-	-	-	700,000
	12.01.2010	4,210,000	-	-	-	4,210,000
Consultants						
	02.06.2006	500,000	-	-	-	500,000
	02.01.2008	2,000,000	-	-	-	2,000,000
	26.11.2008	500,000	-	-	-	500,000
	20.12.2010	250,000	-	-	-	250,000
Sub-total of employees and consultants		12,900,000	-	-	-	12,900,000
Grand total		20,114,057	-	(448,000)	(57)	19,666,000

Notes:

1. Particulars of share options:

Date of Grant	Exercise period	Exercise price per share HK\$
13.01.2003	13.07.2003-12.01.2013	0.405
25.06.2004	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 25.12.2004-24.06.2014 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 25.09.2005-24.06.2014	0.218
11.07.2005	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 11.01.2006-10.07.2015 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 11.10.2006-10.07.2015	0.159
02.06.2006	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 02.12.2006- 01.06.2016 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 02.09.2007-01.06.2016	0.175
02.01.2008	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 02.07.2008- 01.01.2018 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 02.04.2009-01.01.2018	0.492

Date of Grant	Exercise period	Exercise price per share HK\$
26.11.2008	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 26.05.2009- 25.11.2018 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 26.02.2010-25.11.2018	0.383
27.08.2009	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 27.02.2010 – 26.08.2019. (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 27.11.2010-26.08.2019	1.03
25.09.2009	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 25.03.2010- 24.09.2019 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 25.12.2010-24.09.2019	1.076
12.01.2010	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 12.07.2010- 11.01.2020 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 12.04.2011 – 11.01.2020	2.20

Date of Grant	Exercise period	Exercise price per share HK\$
06.09.2010	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 6.03.2011- 5.09.2020 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 6.12.2011 – 5.09.2020	2.99
20.12.2010	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 20.06.2011- 19.12.2020 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 20.03.2012 – 19.12.2020	3.75

Save as disclosed above, as at 31 March 2011, none of the Directors or chief executive or their respective spouse or children under 18 years of age were granted or exercise any rights to subscribe for any equity of the Company or any of its associated corporations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 March 2011, the following Directors and chief executive and their associates had interest or short positions in the Shares or underlying Shares of the Company or any of its associated corporations as required to be disclosed under and within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") were as follows:

1. Long positions

(a) Ordinary shares of HK\$0.05 each of the Company

Name	Capacity and nature	Notes	Number of		% of issued share capital
			shares	Total	
Lee Siu Fong	Beneficial owner		1,124,375		
	Interest of corporation	(i)	124,690,625	125,815,000	26.98
Leelalertsuphakun Wanee	Beneficial owner		557,000		
	Interest of corporation	(i)	124,690,625	125,247,625	26.86
Li Xiaoyi	Beneficial owner		35,105,000		
	Interest of spouse	(ii)	16,000,000	51,105,000	10.96
Chan Yau Ching, Bob	Beneficial owner		1,190,000	1,190,000	0.26
Tsim Wah Keung, Karl	Beneficial owner		300,000	300,000	0.06

Notes:

- (i) 124,690,625 Shares are held through Huby Technology Limited (“Huby Technology”) and Dynamic Achieve Investments Limited (“Dynamic Achieve”). Each of Huby Technology and Dynamic Achieve is an investment holding company jointly owned by Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee.
- (ii) These Shares are held by High Knowledge Investments Limited (“High Knowledge”) which is wholly owned by Dr. Li’s spouse, Ms. Lue Shuk Ping, Vicky (“Ms. Lue”). The interest held by Ms. Lue is deemed to be part of the interest of Dr. Li.

(b) Share options

Name	Capacity and nature	Number of options held	Number of underlying Shares
Lee Siu Fong	Beneficial owner	913,000	913,000
Leelalertsuphakun Wanee	Beneficial owner	450,000	450,000
Li Xiaoyi	Beneficial owner	3,803,000	3,803,000
Mauro Bove	Beneficial owner	1,300,000	1,300,000
Lam Yat Cheong	Beneficial owner	300,000	300,000
		6,766,000	6,766,000

(c) Aggregate long positions in the Shares and the underlying Shares

Name	Number of Shares	Number of underlying Shares	Aggregate in number
Lee Siu Fong	125,815,000	913,000	126,728,000
Leelalertsuphakun Wanee	125,247,625	450,000	125,697,625
Li Xiaoyi	51,105,000	3,803,000	54,908,000
Chan Yau Ching, Bob	1,190,000	–	1,190,000
Tsim Wah Keung, Karl	300,000	–	300,000
Mauro Bove	–	1,300,000	1,300,000
Lam Yat Cheong	–	300,000	300,000

2. Short positions

No short positions of Directors and chief executive in the Shares or underlying Shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executive's Interests" above, at no time during the period ended 31 March 2011 were rights to acquire benefits by means of the acquisition of Shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 31 March 2011, the following persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO:

1. Long positions

(a) Ordinary shares of HK\$0.05 each of the Company

Name	Capacity and nature	Notes	Number of Shares	% of issued share capital
Huby Technology Limited	Beneficial owner		120,290,625	25.80
Defiante Farmaceutica, S.A.	Beneficial owner		132,350,000	28.38
High Knowledge Investments Limited	Beneficial owner	(i)	16,000,000	3.43
Lue Shuk Ping, Vicky	Interest in corporation	(i)	16,000,000	3.43
	Interest of spouse	(ii)	35,105,000	7.53

(b) Underlying shares

Name	Capacity and nature	Notes	Nature of underlying shares	Number of underlying Shares
Lue Shuk Ping, Vicky	Interest of spouse	(ii)	Share Options	3,803,000

(c) Aggregate long positions in the Shares and the underlying Shares

Name	Number of Shares	Number of underlying Shares	Aggregate in number
Huby Technology Limited	120,290,625	–	120,290,625
Defiante Farmaceutica, S.A.	132,350,000	–	132,350,000
High Knowledge Investments Limited	16,000,000	–	16,000,000
Lue Shuk Ping, Vicky	51,105,000	3,803,000	54,908,000

Notes:

- (i) These Shares are legally owned by High Knowledge Investments Limited, which is entirely and beneficially owned by Dr. Li Xiaoyi's spouse, Ms. Lue.
- (ii) The Shares and share option are owned by Ms. Lue Shuk Ping, Vicky's spouse, Dr. Li Xiaoyi.

2. Short positions

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

Save as disclosed above, as at 31 March 2011, so far as is known to the Directors, no person was recorded in the register required by the SFO to be kept as having an interest of 5% or more of the issued share capital of the Company or short positions in the Shares or underlying Shares of the Company.

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 2011.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, or has any other conflict of interests with the Group during the period ended 31 March 2011.

AUDIT COMMITTEE

An audit committee was set up with written terms of reference in compliance with Rules 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee comprises three members, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl, who are the independent non-executive directors of the Company.

The audit committee has reviewed with the management and auditors this unaudited quarterly report for the three months ended 31 March 2011 before recommending it to the Board for approval.

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

Executive directors:

Ms. Lee Siu Fong (*Chairman*)

Ms. Leelalertsuphakun Wanee

Dr. Li Xiaoyi

Non-executive director:

Mr. Mauro Bove

Independent non-executive directors:

Dr. Chan Yau Ching, Bob

Mr. Lam Yat Cheong

Dr. Tsim Wah Keung, Karl

By order of the Board

Lee Siu Fong

Chairman

Hong Kong, 23 May 2011