

LEE'S PHARM.

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)



Third Quarterly Report

2011

## BUSINESS REVIEW

The Group's growth momentum gathered up steam in the third quarter, resulting in strong growth in both turnover and profit. Sequential increase of 16% and 43.5% in turnover and net profit respectively was recorded over the second quarter. It was the first time that the quarterly sales of the Group reached over HK\$100 million, a significant milestone. The third quarter sales leaped 59% compared with the third quarter last year. Turnover for the nine months ended 30 September 2011 grew 57.5% over same period last year and reached a record high of HK\$270,025,000.

Both *Slounase*<sup>®</sup> and *Carnitene*<sup>®</sup>, newly entrant of the new national pharmaceutical reimbursement list, continued to lead the way with sales for the third quarter this year soared 103% and 105% respectively over the same period last year. Sales of *Slounase*<sup>®</sup> and *Carnitene*<sup>®</sup> for the nine months period surged by 76% and 83% respectively compared with the same period last year. Other products were also making impact. It is noteworthy that *Yallaferon*<sup>®</sup> has started to breakthrough in the third quarter with sales growth jumped from low double digit to 42% over the same period last year. Such resurgence is a validation of the Group's vigorous scientific promotional efforts.

The steadfast improvement in operating efficiency and effectiveness in the Group's sale and marketing organization has brought about the reversal of slow growth trend in net profit seen in the last few quarters. The profit attributable to shareholders for the third quarter this year was HK\$23,628,000 which represented a substantial increment of 53% compared with the third quarter last year and up 43.5% compared with the second quarter this year. Profit attributable to shareholders for the nine months ended 30 September 2011 increased by 37% compared with same period last year to HK\$56,984,000.

The gross profit margin for the nine months period this year improved to a record high of 74.5%, up 4.7 percentage point over same period last year. The increase in sales of proprietary products, decrease in raw material cost for *Livaracine*<sup>®</sup>, decrease in purchase cost of *Carnitene*<sup>®</sup> and economy of scale in production all pertained to the persistent improvement in gross profit margin.

Due to the relentless endeavor of the management to enhance operating efficiency and effectiveness of the Group's sale and marketing organization, the selling expenses to turnover ratio for the third quarter this year dropped significantly to 39.8% compared with the ratio of 43.9% for the second quarter this year. The ensuing improvement in operating profit helped to return the net profit margin back to historic level of 22.4% for the third quarter this year compared with only 18% for the second quarter this year.

In the realm of research and development, the Group kept plowing ahead with good progress. During the period under review, the Group completed the pivotal phase III registration study for Acetyl-L-Carnitine in treatment of chemo-induced peripheral neuropathy (CIPN). The primary endpoint of study has been met and the results are robust with excellent safety profile. CIPN is a serious medical problem affecting considerable number of cancer patients. As to date, no drug has been approved for this indication and significant medical need remains unmet. The Group is in the process of preparing the submission which is envisaged before the end of the year. With its strong efficacious profile in treatment of CIPN demonstrated in the study, the approval of Acetyl-L-Carnitine could position the Group well in the cancer supporting care area. To expand the Group's cancer supporting care franchise, the Group has successfully submitted the application of clinical study to China SFDA during the quarter for Aloxi, a leading anti-emetic drug licensed from Helsinn of Switzerland.

In September this year, the Group has successfully submitted the application for new drug registration in China for United Therapeutics' product, *Remodulin*<sup>®</sup> (treprostinil) injection. *Remodulin*<sup>®</sup> is a proprietary product indicated for treatment of pulmonary arterial hypertension (PAH) in patients with NYHA Class II-IV symptoms by intravenous and subcutaneous administration. PAH has emerged as a severe life-threatening disease in China, affecting scores of patients with poor prognosis.

In addition, two collaborated research and development projects that focused on the Group's proprietary anti-angiogenesis protein ZK002 with Hong Kong Baptist University and Hong Kong University of Science and Technology have been selected by Hong Kong Government Innovation and Technology Fund as recipients of grant support. This is a testament of Group's research and development capacity and capability. It also highlights the commitment of the Group to collaborate and cooperate with local research universities for advancement of science and innovation.

## PROSPECTS

Despite the challenging macro economy environment in both China and overseas, the Group stays optimistic with the growth prospect. The existing five major products are expected to continue their brisk pace in growth, benefiting from expansion of healthcare coverage by the government in China. The continual improvement in operating efficiency and effectiveness of the Group's sales and marketing organization will further boost the competitiveness of its products in the market place, enhancing profitability. The launch of two new license-in products, *Brio*<sup>®</sup> PTCA Balloon Catheters for the treatment of acute coronary syndrome and *Gaslon N*<sup>®</sup> for the treatment of gastric ulcer in the third quarter has generated excitement in the market place, creating positive aura not only for the newly launched products, but also for its existing products.

The Group also expects to start patient enrollment with Queen Mary Hospital of University of Hong Kong for the global phase IIb study for JX-594 in treatment of late stage liver cancer. JX-594 is a proprietary, engineered oncolytic virus that is designed to selectively target and destroy cancer cells. The product, developed by Jenerex and its partners, is in phase II study in advanced liver cancer. The latest results presented in American Association for the Study of Liver Diseases 2011 showed that high dose of JX-594 significantly improves survival of advanced liver cancer patients compared to the low dose JX-594 (medium survival 13.8 months vs 6.7 months). The Group is a development and marketing partner of Jenerex for JX-594 in China. The Group intends to allocate more resource to accelerate the development of JX-594 in China where the market potential is enormous.

The Board of Directors is confident that the Group will continue its growth path and deliver satisfactory return to its shareholders.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT***For the three months and nine months ended 30 September 2011*

	<i>Notes</i>	<b>For the three months ended 30 September</b>		<b>For the nine months ended 30 September</b>	
		<b>2011</b>	2010	<b>2011</b>	2010
		<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Turnover	(2)	<b>105,402</b>	66,190	<b>270,025</b>	171,477
Cost of sales		<b>(26,074)</b>	(21,886)	<b>(68,839)</b>	(51,822)
Gross profit		<b>79,328</b>	44,304	<b>201,186</b>	119,655
Other revenue		<b>1,886</b>	2,035	<b>5,054</b>	4,352
Gain on deemed disposal of a subsidiary		–	–	–	234
Gain on deemed disposal of associates		–	–	<b>6,441</b>	–
Selling and distribution expenses		<b>(41,915)</b>	(19,201)	<b>(112,986)</b>	(48,286)
Administrative expenses		<b>(9,009)</b>	(7,809)	<b>(25,324)</b>	(21,598)
Research and development expenses		<b>(2,480)</b>	(841)	<b>(8,038)</b>	(3,834)
Profit from operations		<b>27,810</b>	18,488	<b>66,333</b>	50,523
Finance costs		<b>(99)</b>	(273)	<b>(559)</b>	(794)
Share of results of associates		–	(297)	<b>(273)</b>	(760)
Profit before taxation		<b>27,711</b>	17,918	<b>65,501</b>	48,969
Taxation	(3)	<b>(4,061)</b>	(2,576)	<b>(8,533)</b>	(7,347)
Profit for the period		<b>23,650</b>	15,342	<b>56,968</b>	41,622
Attributable to:					
Shareholders of the Company		<b>23,628</b>	15,402	<b>56,984</b>	41,682
Non-controlling interests		<b>22</b>	(60)	<b>(16)</b>	(60)
		<b>23,650</b>	15,342	<b>56,968</b>	41,622
Dividends	(4)	–	–	<b>5,635</b>	4,508
Earnings per share		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic	(5)	<b>5.03</b>	3.42	<b>12.17</b>	9.25
Diluted	(5)	<b>4.93</b>	3.32	<b>11.91</b>	8.99

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2011

	For the nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Profit for the period	56,968	41,622
Other comprehensive income:		
Exchange differences on translation of:		
– Financial statements of overseas subsidiaries	3,562	1,315
– Revaluation of overseas buildings	130	65
Release of share of other reserves of associates	(5,855)	–
Other comprehensive (expenses) income for the period, net of tax	(2,163)	1,380
<b>Total comprehensive income for the period</b>	<b>54,805</b>	<b>43,002</b>
Total comprehensive income attributable to:		
Shareholders of the Company	54,811	43,059
Non-controlling interests	(6)	(57)
	<b>54,805</b>	<b>43,002</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2011

	Attributable to the shareholders 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	Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Attributable to non-controlling interests	
										HK\$'000	HK\$'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	-	-	-	896	-	-	-	-	896	-	896
Exercise of share options	186	2,201	-	(702)	-	-	-	-	1,685	-	1,685
Profit for the period	-	-	-	-	-	-	-	56,984	56,984	(16)	56,968
Other comprehensive expenses for the period	-	-	-	-	(5,855)	130	3,552	-	(2,173)	10	(2,163)
Total comprehensive income for the period	-	-	-	-	(5,855)	130	3,552	56,984	54,811	(6)	54,805
2010 final dividend paid	-	-	-	-	-	-	-	(9,384)	(9,384)	-	(9,384)
2011 interim dividend declared	-	-	-	-	-	-	-	(5,635)	(5,635)	-	(5,635)
At 30 September 2011	23,478	105,344	9,200	2,163	-	3,948	9,326	129,978	283,437	278	283,715
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	-	-	-	605	-	-	-	-	605	-	605
Exercise of share options	36	237	-	(71)	-	-	-	-	202	-	202
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	379	379
Profit for the period	-	-	-	-	-	-	-	41,682	41,682	(60)	41,622
Other comprehensive income for the period	-	-	-	-	-	65	1,312	-	1,377	3	1,380
Total comprehensive income for the period	-	-	-	-	-	65	1,312	41,682	43,059	(57)	43,002
2009 final dividend paid	-	-	-	-	-	-	-	(7,209)	(7,209)	-	(7,209)
2010 interim dividend paid	-	-	-	-	-	-	-	(4,508)	(4,508)	-	(4,508)
At 30 September 2010	22,542	63,728	9,200	1,724	-	3,754	4,262	71,669	176,879	322	177,201

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2011

### 1. Basis of preparation of financial statements 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
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Application of the above new or revised HKFRSs has had no material effect on the amounts reported in the unaudited condensed consolidated financial statements and/or disclosures set out in the unaudited condensed consolidated financial statements.

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 and revised standards and interpretations that have been issued after the date the consolidated financial statements for year end 31 December 2010 were authorized for issuance and are not yet effective:

HKFRS 1 (Amendments)	Severe hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>1</sup>
HKFRS 9 (Revised)	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>4</sup>
HKFRS 11	Joint Arrangements <sup>4</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>4</sup>
HKFRS 13	Fair Value Measurement <sup>4</sup>
HKAS 1 (Amendments)	Presentation of Financial Statements <sup>3</sup>
HKAS 12 (Amendments)	Income Taxes-Amendments <sup>2</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>4</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>4</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

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.

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.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 has no impact to the Group.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification of HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the entity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 has no impact to the Group.

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 nine months ended 30 September 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.

### Business segments

	For the three months ended 30 September		For the nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Proprietary products	51,918	36,813	136,436	97,860
License-in products	53,484	29,377	133,589	73,617
	<b>105,402</b>	66,190	<b>270,025</b>	171,477

### Geographical segments

During the period ended 30 September 2011 and 2010, more than 90% of the Group's turnover was derived from activities conducted in the PRC, no geographical segmental information is presented.

## 3. Taxation

	For the three months ended 30 September		For the nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Current tax				
Hong Kong Profits Tax	2,774	–	3,900	–
PRC Enterprise Income Tax	941	746	1,480	2,396
Overprovision in prior period	–	–	–	(14)
	<b>3,715</b>	746	<b>5,380</b>	2,382
Deferred tax				
Provision of current period	346	1,830	3,153	4,965
Taxation attributable to the Group	<b>4,061</b>	2,576	<b>8,533</b>	7,347

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit in Hong Kong for the period.

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

#### 4. Dividends

An interim dividend of HK\$0.012 per share, totalling HK\$5,635,000 for the six months ended 30 June 2011 was declared on 22 August 2011 and paid on 13 October 2011.

The Board does not recommend the payment of other interim dividend for the third quarter of 2011.

#### 5. Earnings per share

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2011	2010	2011	2010
Net profit attributable to shareholders for the purpose of basic and diluted earnings per share	HK\$23,628,000	HK\$15,402,000	HK\$56,984,000	HK\$41,682,000
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	469,550,437	450,832,437	468,392,195	450,596,796
Effect of dilutive potential ordinary shares: options	9,761,858	13,085,959	9,990,908	13,001,066
Weighted average number of ordinary shares for the purpose of diluted earnings per share	479,312,295	463,918,396	478,383,103	463,597,862

#### 6. Capital commitments

As at 30 September 2011, the Group has capital commitments in respect of the acquisition of intangible assets, which represents the acquired license fee, amounting to HK\$21.69 million (2010: HK\$35.70 million), property, plant and equipment amounting to HK\$78.28 million (2010: HK\$2.70 million) and research and development HK\$5.3 million (2010: HK\$ nil).

## 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 30 September 2011 were as follows:

Grantees	Date of Grant	Number of share options				Outstanding at 30.9.2011
		Outstanding at 1.1.2011	Granted	Exercised	Cancelled	
<b>Directors</b>						
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
Mauro Bove	20.12.2010	465,000	–	–	–	465,000
	11.07.2005	500,000	–	–	–	500,000
Lam Yat Cheong	02.06.2006	500,000	–	–	–	500,000
	20.12.2010	300,000	–	–	–	300,000
	11.07.2005	300,000	–	(300,000)	–	–
<b>Sub-total of Directors</b>		7,214,057	–	(3,638,000)	(57)	3,576,000
<b>Employees</b>						
	13.01.2003	150,000	–	–	–	150,000
	25.06.2004	2,240,000	–	(80,000)	–	2,160,000
	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
<b>Consultants</b>						
	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
<b>Sub-total of employees and consultants</b>		12,900,000	–	(80,000)	–	12,820,000
<b>Grand total</b>		20,114,057	–	(3,718,000)	(57)	16,396,000

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

<b>Date of Grant</b>	<b>Exercise period</b>	<b>Exercise price per share HK\$</b>
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
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	1.030
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



<b>Date of Grant</b>	<b>Exercise period</b>	<b>Exercise price per share HK\$</b>
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	2.200
06.09.2010	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 06.03.2011-05.09.2020  (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 06.12.2011-05.09.2020	2.990
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	3.750

Save as disclosed above, as at 30 September 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 30 September 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	Total	% of issued
			shares		share capital
Lee Siu Fong	Beneficial owner		1,109,375		
	Interest of corporation	(i)	124,690,625	125,800,000	26.79
Leelalertsuphakun Wanee	Beneficial owner		557,000		
	Interest of corporation	(i)	124,690,625	125,247,625	26.67
Li Xiaoyi	Beneficial owner		38,155,000		
	Interest of spouse	(ii)	16,000,000	54,155,000	11.53
Chan Yau Ching, Bob	Beneficial owner		1,190,000	1,190,000	0.25
Tsim Wah Keung, Karl	Beneficial owner		300,000	300,000	0.06
Lam Yat Cheong	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*

<b>Name</b>	<b>Capacity and nature</b>	<b>Number of options held</b>	<b>Number of underlying Shares</b>
Lee Siu Fong	Beneficial owner	913,000	913,000
Leelalertsuphakun Wanee	Beneficial owner	450,000	450,000
Li Xiaoyi	Beneficial owner	913,000	913,000
Mauro Bove	Beneficial owner	1,300,000	1,300,000
		3,576,000	3,576,000

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

<b>Name</b>	<b>Number of Shares</b>	<b>Number of underlying Shares</b>	<b>Aggregate in number</b>
Lee Siu Fong	125,800,000	913,000	126,713,000
Leelalertsuphakun Wanee	125,247,625	450,000	125,697,625
Li Xiaoyi	54,155,000	913,000	55,068,000
Chan Yau Ching, Bob	1,190,000	–	1,190,000
Tsim Wah Keung, Karl	300,000	–	300,000
Lam Yat Cheong	300,000	–	300,000
Mauro Bove	–	1,300,000	1,300,000

**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 30 September 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 30 September 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	25.62
Defiante Farmaceutica, S.A.	Beneficial owner	(i)	132,350,000	28.19
High Knowledge Investments Limited	Beneficial owner	(ii)	16,000,000	3.41
Lue Shuk Ping, Vicky	Interest in corporation	(ii)	16,000,000	3.41
	Interest of spouse	(iii)	38,155,000	8.13

*(b) Underlying shares*

<b>Name</b>	<b>Capacity and nature</b>	<i>Notes</i>	<b>Nature of underlying shares</b>	<b>Number of underlying Shares</b>
Lue Shuk Ping, Vicky	Interest of spouse	(iii)	Share Options	913,000

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

<b>Name</b>	<b>Number of Shares</b>	<b>Number of underlying Shares</b>	<b>Aggregate in number</b>
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	54,155,000	913,000	55,068,000

*Notes:*

- (i) Anna Atti, Enrico Cavazza, Francesca Cavazza, Silvia Cavazza and Martina Cavazza jointly have interest in 134,350,000 shares of the Company, of which 132,350,000 shares are held by Defiante Farmaceutica, S.A. Paolo Cavazza has interest in 132,350,000 shares of the Company which are held by Defiante Farmaceutica, S.A.
- (ii) These Shares are legally owned by High Knowledge Investments Limited, which is entirely and beneficially owned by Dr. Li Xiaoyi's spouse, Ms. Lue.
- (iii) 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 30 September 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 listed securities during the nine months ended 30 September 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 Main Board Listing Rules, or has any other conflict of interests with the Group during the nine months ended 30 September 2011.

## **AUDIT COMMITTEE**

An audit committee was set up with written terms of reference in compliance with Rules 3.21 of the Main Board 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 report for the nine months ended 30 September 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, 28 November 2011