

\* For identification purpose only

*Interim Report 2013*



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)

## BUSINESS REVIEW

Having regained the growth momentum in the first quarter, the Group marched on in greater stride in the second quarter, delivering yet another new pinnacle of quarterly sales and profit. Overall, the first half of 2013 was quite eventful and fulfilling for the Group and it is exciting to see everyone work to improve every facets of Group with alacrity.

In revenue, relentless effort on strengthening the sales organization to expand product reach had propelled the second quarter sales to a new level of HK\$186,322,000, topping first quarter sales by 26%. The improvement over the same quarter last year was 28%, albeit the growth of second quarter of 2012 was at a phenomenal pace of 60%. The turnover for the six months ended 30 June 2013 increased by 30.9% over the same period last year. Across the board product growth was the main attribute for the acceleration with seven products achieving double digit growth rate. It was heartening to note that the momentum was generated not only from the older products like *Carnitene*<sup>®</sup> that jumped 58%, but also from newer products such as *Zanidip*<sup>®</sup> and *Ferplex*<sup>®</sup> that leaped by 81% and 45% respectively.

Profit attributable to shareholders for the six months ended 30 June 2013 reached HK\$73,754,000 representing increase of 35.4% compared with same period last year despite there was 154% rise in research and development spending for the six months period. The anomaly is due to written off of certain low priority development project cost which is non-recurring in nature and to more investment in promising new development projects. As the gross profit margin held rather steady with only slight improvement of 0.1 percentage point compared to the same period last year, the accretion in profitability was the results of continual betterment of operating efficiency of the Group's sales and marketing organization. Consequently, selling expenses to turnover ratio for the second quarter continued its downward trend from previous quarters and dropped by 1.9 percentage point to 29.7% compared with 31.6% for the first quarter. Selling expenses to turnover ratio for six months ended 30 June 2013 was 30.5%, an impressive 3 percentage point reduction from 33.5% of the same period last year. Overall, the net profit margin for the second quarter reached 22.24%, improved by 0.48 percentage point compared with that of first quarter. Net profit margin for the six months ended 30 June 2013 was 22.0%, up 0.7 percentage point from 21.3% for the same period last year.

With respect to manufacturing, the Group has completed the construction work on its new site in Nansha during the period under review. The total floor area of 57,000 square meter will cater to production areas of different products, including biologics and medical device, research and development center, office and warehouse. It is envisaged that the facility will be filled gradually in stage and eventually becomes the hub for the Group's manufacturing and drug development in China. Meanwhile, the new site in Hefei is entering into machinery installation, test run and validation process phase now. It remains on schedule to meet the deadline of new China GMP certification before the end of year.

In the drug development arena, the achievements during the second quarter were copious. In April, the Group has successfully obtained the Imported Drug Licenses from the China Food and Drug Administration (“CFDA”) for United Therapeutics Corporation’s product, *Remodulin*<sup>®</sup> (treprostinil) injection, for the treatment of patients with pulmonary arterial hypertension (PAH). The application was submitted with the fast-track designation in September 2011. *Remodulin*<sup>®</sup> is a prostacyclin vasodilator that is indicated for treatment of PAH by intravenous and subcutaneous administration, to diminish symptoms associated with exercise. Following the approval, the Group is gearing up the preparation for launch of the product that is expected in fourth quarter of 2013.

In May this year, the Group and Jennerex has completed enrollment of 120 patients in the TRAVERSE study, a global randomized Phase 2b clinical trial evaluating the efficacy and safety of Pexa-Vec (JX-594) for the treatment of advanced primary liver cancer on patients who has failed the treatment of Sorafenib, the only FDA approved drug for liver cancer. The top line data of this proof-of-concept is targeted to be released in November. The preparation of a pivotal phase III study is now underway and will be initiated next year.

Also in May, last patient was enrolled in the Group’s phase III registration study for Trazodone (Trittico<sup>®</sup>) and all follow up visits have since been completed. Data processing and analyzing are in progress. The top line data of the study will be available in August. The Group is expected to have the study report ready in September and subsequent filing of application for Import Drug License in October 2013. Trazodone (Trittico<sup>®</sup>) is a product licensed from Angelini of Italy and is indicated for depression, a growing medical problem in China. The Group has conducted the 378 patients, registration-enabling in China to evaluate the efficacy and safety of Trazodone for treatment of depression in Chinese population.

With ongoing studies coming to conclusion, new studies are being initiated. The first patient for the phase III, registration-enabling clinical study of Prulifloxacin has been enrolled. The phase III clinical study aims to evaluate its effective and safety using Prulifloxacin film-coating tablets for treatment of acute exacerbation of chronic bronchitis in the Chinese population. The study is targeted to conclude in the first quarter of 2014. The second cohort of phase II study of Anfibatide is also underway. This phase of the study is scheduled to complete before the end of year.

In June, the first patient for Rostafuroxin's global phase IIb clinical study has been enrolled in Italy. Rostafuroxin is endowed of high potency and efficacy in reducing blood pressure and preventing organ hypertrophy in animal model. It is indicated for treatment of newly diagnosed hypertension patients who carry certain genetic profiles representative of adducing and EO-hypertensive mechanisms. Rostafuroxin is the first anti-hypertensive drug that employs pharmacogenomic approach and this personalized treatment of hypertension could signify a shift of paradigm in hypertension management.

In June, the Group has successfully submitted the application for a global Phase II clinical study in China for Istaroxime injection on acute decompensated heart failure. Istaroxime is a first-in-class luso-inotropic agent that possesses a dual mode of action, combining inotropic (myocyte contraction) and Lusitropic (myocyte relaxation) effect. Earlier clinical study had found that Istaroxime does not increase heart rate, minimizes oxygen consumption, is less arrhythmogenic and does not reduce blood pressure. As at least one third of acute decompensated heart failure patients is complicated with hypotension, Istaroxime could fill a significant unmet medical need and provide patients with new treatment option.

In the corporate development and partnership front, the Group has also achieved an important milestone. Powder Pharmaceuticals Incorporated (PPI), an associated company of the Group as from July 2013, has successfully obtained approval from US FDA in July 2013 for the manufacturing facilities in Hong Kong to produce Zingo™ Powder Intradermal Injection system and market the product in US. The GMP manufacturing facility of PPI in Hong Kong is the first and only facility in Hong Kong that has successfully obtained the approval from FDA. It marks a historic moment to Hong Kong pharmaceutical's development as Zingo™ became the first product approved by FDA that manufactured in Hong Kong for US market.

During the quarter under review, the Group had also completed the building of new human resource system to better cope with the Group's fast expansion. This new system is vital for the Group to attain growth sustainability. It will enhance the Group's ability to recruit and retain talent, providing impetus for improvement of each and every aspect of the Group.

## PROSPECT

Looking to next quarter and beyond, the Group is optimistic that sales of its existing product will accelerate with the new gained momentum, boosted by a record year of new product approvals.

The successful conclusion of the Group's phase IV clinical study on *Zanidip*<sup>®</sup> has demonstrated that *Zanidip*<sup>®</sup> is not only as effective as other calcium channel blocker, but is also more advantageous in maintaining daily blood pressure stability. The better control in blood pressure variability is clinical relevant as cardiovascular events such as stroke is associated with blood pressure fluctuation. These encouraging results provide new catalyst for the increasing acceptance of *Zanidip*<sup>®</sup> as choice of calcium channel blocker in treatment of hypertension in medical practice in China. A new outcome study is underway to further validate the benefit of *Zanidip* in reducing cardiovascular events.

In July 2013, the Group has received the approval for its oral Carnitine, making the Group as the only marketer in China with both injection and oral formulation of Carnitine. Carnitine franchise is the key driver of the Group's growth for the last few years and continues to thrive in the market place. The *Carnitene*<sup>®</sup> brand is well recognized and respected in China now. The availability of oral *Carnitene*<sup>®</sup> will surely widen the market breadth of Carnitene franchise, complementing to the current success of *Carnitene*<sup>®</sup> injection.

With two product approvals in as many quarters, the Group has generated greater excitement in the market place, enhancing the brand awareness of the Group's products. As more approval is expected in the rest of 2013, the created positive market dynamic could transcribe into new thrust to propel the growth of the Group into new height.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 30 June 2013, the Group had cash and bank balances and pledged bank deposits of approximately HK\$246.6 million (31 December 2012: HK\$335.9 million). In terms of liquidity, the current ratio (current assets/current liabilities) was about 3.04 times (31 December 2012: 2.96 times). As at 30 June 2013, the Group had bank and other borrowings of approximately HK\$26.6 million and equity attributable to shareholders of the Company of approximately HK\$654 million. Its gearing ratio calculated based on the net borrowings (after deducting cash and bank balances) to equity attributable to shareholders of the Company, was nil as at 30 June 2013 and 31 December 2012. Taking into consideration the existing financial resources available to the Group, it is believed that the Group should have adequate financial resources to meet its operation and development requirements in future.

### Foreign Exchange Exposure

Currently, the Group earns revenue and incurs costs in Renminbi, Hong Kong dollars, European Union euro, Japanese Yen and US dollars. The Directors believe that the Group does not have foreign exchange problems in meeting its foreign exchange requirements. The Group may use forward contracts to hedge against foreign currency fluctuations.

### Charges on Group Assets

As at 30 June 2013, the Group has pledged bank deposit of HK\$2,000,000 (31 December 2012: HK\$2,000,000) to secure general banking facilities granted to the Group. In addition, the Group's obligations under finance leases are secured by the lessors' title to the motor vehicle, which have a carrying amount of HK\$579,083 (31 December 2012: HK\$1,533,531).

### Contingent Liabilities

As at 30 June 2013, the Group had no contingent liabilities.

### Employee Information

As at 30 June 2013, the Group had 557 employees (31 December 2012: 531 employees) working in Hong Kong and in the PRC. Total employee remuneration, including directors remunerations, retirement benefit provision and mandatory provident fund contributions, for the period under review amounted to approximately HK\$52 million (HK\$43.7 million for the six months ended 30 June 2012). The Group's emolument policies are formulated on the performance of individual employees and on the basis of the trends of salaries in various regions, which will be reviewed regularly every year. Apart from provident fund scheme, retirement benefit scheme and medical insurance, employees share options are also awarded to employees according to the assessment of individual performance.

## REVIEW REPORT

恒健會計師行有限公司  
**HLM CPA LIMITED**  
Certified Public Accountants

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**TO THE BOARD OF DIRECTORS OF  
LEE'S PHARMACEUTICAL HOLDINGS LIMITED**  
*(Incorporated in Cayman Islands with limited liability)*

### Introduction

We have reviewed the condensed consolidated financial statements of Lee's Pharmaceutical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 8 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the presentation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the presentation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**HLM CPA LIMITED**

*Certified Public Accountants*

**Chan Lap Chi**

Practising Certificates number: P04084

Hong Kong, 28 August 2013



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2013*

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2013	2012	2013	2012
		<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
Turnover	(2)	186,322	145,892	334,769	255,781
Cost of sales		(54,924)	(41,985)	(96,542)	(73,809)
Gross Profit		131,398	103,907	238,227	181,972
Other revenue		936	1,658	2,727	6,760
Selling and distribution expenses		(55,267)	(44,876)	(102,206)	(85,748)
Research and development expenses		(9,937)	(2,912)	(14,401)	(5,662)
Administrative expenses		(18,275)	(22,935)	(37,406)	(33,492)
Profit from operations	(4)	48,855	34,842	86,941	63,830
Finance costs		(268)	(258)	(559)	(507)
Profit before taxation		48,587	34,584	86,382	63,323
Taxation	(5)	(7,234)	(4,950)	(12,910)	(9,079)
Profit for the period		41,353	29,634	73,472	54,244
Attributable to:					
Shareholders of the Company		41,444	29,863	73,754	54,472
Non-controlling interests		(91)	(229)	(282)	(228)
		41,353	29,634	73,472	54,244
Earnings per share		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic	(7)	7.94	6.17	14.14	11.42
Diluted	(7)	7.48	6.04	13.33	11.18

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit for the period	41,353	29,634	73,472	54,244
Other comprehensive income (expenses):				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of:				
– Financial statements of overseas subsidiaries	3,428	(2,302)	4,159	(1,590)
– Revaluation of overseas buildings	48	(29)	58	(32)
Other comprehensive income (expenses) for the period, net of tax	3,476	(2,331)	4,217	(1,622)
Total comprehensive income for the period	44,829	27,303	77,689	52,622
Total comprehensive income (expenses) attributable to:				
Shareholders of the Company	44,918	27,536	77,969	52,853
Non-controlling interests	(89)	(233)	(280)	(231)
	44,829	27,303	77,689	52,622

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	<i>Notes</i>	<b>30 June 2013 HK\$'000 (unaudited)</b>	31 December 2012 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	(8)	<b>164,989</b>	128,814
Intangible assets		<b>175,758</b>	127,156
Lease premium for land		<b>15,199</b>	15,157
Goodwill		<b>3,900</b>	3,900
Available-for-sales financial assets		<b>17,542</b>	9,660
		<b>377,388</b>	284,687
<b>Current assets</b>			
Lease premium for land		<b>329</b>	324
Inventories		<b>106,868</b>	64,071
Trade receivables	(9)	<b>75,532</b>	71,469
Other receivables, deposits and prepayments		<b>63,775</b>	33,573
Derivative financial instruments		<b>122</b>	–
Advance to related party		<b>12,177</b>	6,505
Pledged bank deposits		<b>2,000</b>	2,000
Time deposits		<b>102,062</b>	175,313
Cash and bank balances		<b>142,545</b>	158,589
		<b>505,410</b>	511,844
<b>Current liabilities</b>			
Trade payables	(10)	<b>28,364</b>	29,111
Other payables		<b>94,716</b>	94,760
Obligations under license contracts		<b>3,643</b>	3,683
Obligation under finance leases		<b>250</b>	563
Tax payables		<b>12,399</b>	13,089
Bank borrowings	(11)	<b>26,620</b>	31,483
		<b>165,992</b>	172,689
Net current assets		<b>339,418</b>	339,155
Total assets less current liabilities		<b>716,806</b>	623,842

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2013

	<i>Notes</i>	<b>30 June 2013 HK\$'000 (unaudited)</b>	31 December 2012 HK\$'000 (audited)
Capital and reserves			
Share capital	(12)	26,106	26,055
Reserves		628,158	556,101
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Equity attributable to shareholders of the Company		654,264	582,156
Non-controlling interests	(13)	22,518	11,123
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Total equity		676,782	593,279
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Non-current liabilities			
Deferred tax liabilities		13,648	13,215
Obligations under license contracts		8,602	6,138
Obligation under finance leases		22	319
Retirement benefit		17,752	10,891
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		40,024	30,563
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		716,806	623,842
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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to the shareholders of the Company								Attributable to non-controlling interests	Total	
	Share capital	Share premium	Merger difference	Share-based compensation reserve	Other reserves	Revaluation reserve	Exchange reserve	Retained profits			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
At 1 January 2013 (audited)	26,055	260,656	9,200	3,292	17,038	4,036	14,636	247,243	582,156	11,123	593,279
Employee share option benefits	-	-	-	1,417	-	-	-	-	1,417	-	1,417
Exercise of share options	51	2,284	-	(347)	-	-	-	-	1,988	-	1,988
Share options lapsed	-	-	-	(2)	-	-	-	-	(2)	-	(2)
Share of share-based compensation reserve of a subsidiary (Note a)	-	-	-	15	-	-	-	-	15	5	20
Deemed partial disposal of interest in a subsidiary (Note 14)	-	-	-	-	11,592	-	-	-	11,592	11,670	23,262
Profit (loss) for the period	-	-	-	-	-	-	-	73,754	73,754	(282)	73,472
Other comprehensive income for the period	-	-	-	-	-	58	4,157	-	4,215	2	4,217
Total comprehensive income (expenses) for the period	-	-	-	-	-	58	4,157	73,754	77,969	(280)	77,689
2012 final dividend paid	-	-	-	-	-	-	-	(20,871)	(20,871)	-	(20,871)
At 30 June 2013 (unaudited)	26,106	262,940	9,200	4,375	28,630	4,094	18,793	300,126	654,264	22,518	676,782
At 1 January 2012 (audited)	23,489	105,533	9,200	2,440	-	3,980	10,372	156,900	311,914	417	312,331
Employee share option benefits	-	-	-	644	-	-	-	-	644	-	644
Exercise of share options	23	146	-	(42)	-	-	-	-	127	-	127
Issue of ordinary shares by placement	2,424	149,707	-	-	-	-	-	-	152,131	-	152,131
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	204	204
Profit (loss) for the period	-	-	-	-	-	-	-	54,472	54,472	(228)	54,244
Other comprehensive expenses for the period	-	-	-	-	-	(32)	(1,587)	-	(1,619)	(3)	(1,622)
Total comprehensive income (expenses) for the period	-	-	-	-	-	(32)	(1,587)	54,472	52,853	(231)	52,622
2011 final dividend paid	-	-	-	-	-	-	-	(14,107)	(14,107)	-	(14,107)
At 30 June 2012 (unaudited)	25,936	255,386	9,200	3,042	-	3,948	8,785	197,265	503,562	390	503,952

Note a: Share of share-based compensation reserve of a subsidiary was derived from a subsidiary, Cvie Therapeutics Company Limited, which has granted share options to its employees in 2012.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2013*

	<b>For the six months ended 30 June</b>	
	<b>2013</b> <i>HK\$'000</i> <b>(unaudited)</b>	2012 <i>HK\$'000</i> (unaudited)
Net cash generated from operating activities	<b>15,331</b>	88,852
Net cash used in investing activities	<b>(82,033)</b>	(49,812)
Net cash (used in) generated from financing activities	<b>(24,356)</b>	157,192
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Net (decrease) increase in cash and cash equivalents	<b>(91,058)</b>	196,232
Cash and cash equivalents at beginning of the period	<b>333,902</b>	134,494
Effect of foreign exchange rate changes	<b>1,763</b>	(599)
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Cash and cash equivalents at end of the period	<b>244,607</b>	330,127
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Analysis of balance of cash and cash equivalents		
Cash and bank balances	<b>142,545</b>	155,414
Time deposits	<b>102,062</b>	174,713
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	<b>244,607</b>	330,127
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 1. Basis of preparation of financial statements and principal accounting policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 34	Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle)
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle except for the amendments to HKAS 1

#### *HKFRS 10 Consolidated Financial Statements*

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control has defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

#### *HKFRS 11 Joint Arrangements*

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011), HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 determined based on rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

#### *HKFRS 13 Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.



The scope of HKFRS 13 is broad, and applies to both financial instrument items and non – financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transactional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 19.

#### *HKAS 19 Employee Benefits (as revised in 2011)*

In the current interim period, the Group has applied HKAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a “net interest” amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

#### *Amendments to HKAS 1 Presentation of items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax.

#### *Amendments to HKAS 34 Interim Financial Reporting*

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the *Annual Improvements to HKFRSs 2009-2011 Cycle* for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial segments only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The adoption of the above new or revised 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 Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
HK(IFRIC) – Int 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

#### *HKFRS 9 Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

*Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investment Entities*

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments may have impact on amounts reported in the Group's consolidated financial statements.

*Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 may have impact on amounts reported in the Group’s consolidated financial statements.

**2. Turnover**

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

**3. Segment information**

**Business segments**

The following table presents turnover and results of the Group’s business segments for the six months ended 30 June 2013.

	Proprietary products		License-in products		Consolidated	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Segment turnover	145,981	134,606	188,788	121,175	334,769	255,781
Segment results	50,485	49,390	52,632	24,229	103,117	73,619
Interest income					771	450
Unallocated expenses					(16,947)	(10,239)
Profit from operations					86,941	63,830
Finance costs					(559)	(507)
Profit before taxation					86,382	63,323
Taxation					(12,910)	(9,079)
Profit for the period					73,472	54,244

**Geographical segments**

During the six months ended 30 June 2013 and 2012, 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.

**4. Profit from operations**

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit from operations has been arrived at after charging (crediting):				
Depreciation of property, plant and equipment	2,793	2,482	5,464	4,906
Amortisation of lease premium for land	95	45	176	86
Amortisation of intangible assets	1,729	859	2,427	1,799
<b>Total depreciation and amortisation</b>	<b>4,617</b>	<b>3,386</b>	<b>8,067</b>	<b>6,791</b>
(Over) provision for bad and doubtful debts	(1,637)	425	(1,186)	1,454

**5. Taxation**

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Current tax				
Hong Kong Profits Tax	3,497	(1,305)	7,460	–
PRC Enterprise Income Tax	3,930	3,022	5,273	5,667
Over provision in prior year	(3)	–	(142)	–
	<b>7,424</b>	<b>1,717</b>	<b>12,591</b>	<b>5,667</b>
Deferred tax (Written-back) provision of current period	(190)	3,233	319	3,412
	<b>7,234</b>	<b>4,950</b>	<b>12,910</b>	<b>9,079</b>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit in Hong Kong.

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

## 6. Dividends

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Interim dividend declared of HK\$0.023 (2012:HK\$0.018) per ordinary share based on issued share capital at the end of the reporting period	12,009	9,337	12,009	9,337

Interim dividend will be payable on 17 October 2013 to shareholders registered in the Company's Register of Members as at the close of business on 19 September 2013. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed statement of financial position.

2012 final dividend of HK\$0.04 per share, totalling HK\$20,871,000 was paid in June 2013.

## 7. Earnings per share

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

	For the three months ended 30 June		For the six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
Net profit attributable to shareholders of the Company for the purpose of basic and diluted earnings per share	HK\$41,444,000	HK\$29,863,000	HK\$73,754,000	HK\$54,472,000
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	521,813,503	484,088,294	521,593,525	477,007,497
Effect of dilutive potential ordinary shares:				
Options	11,729,692	10,356,350	11,585,031	10,038,215
Contingent share arrangement	20,162,391	–	20,162,391	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	553,705,586	494,444,644	553,340,947	487,045,712

## 8. Movements in property, plant and equipment

During the period ended 30 June 2013, additions to property, plant and equipment amount to HK\$39.99 million.

**9. Trade receivables**

The Group has a policy of allowing an average credit period of 30-120 days to its trade customers. The fair value of the Group's trade receivables at 30 June 2013 approximates to the corresponding carrying amount.

The following is an aging analysis of trade receivables at the end of the reporting periods.

	<b>30 June 2013 HK\$'000 (unaudited)</b>	31 December 2012 HK\$'000 (audited)
0-90 days	69,653	63,942
91-180 days	4,495	5,184
181-365 days	2,768	4,686
Over 365 days and under 3 years	2,357	2,565
	<b>79,273</b>	76,377
Less: Allowance for bad and doubtful debts	<b>(3,741)</b>	(4,908)
	<b>75,532</b>	71,469

**10. Trade payables**

The fair value of the Group's trade payables as at 30 June 2013 approximates to the corresponding carrying amount.

The following is an aging analysis of trade payables at the end of the reporting periods.

	<b>30 June 2013 HK\$'000 (unaudited)</b>	31 December 2012 HK\$'000 (audited)
0-90 days	28,362	29,110
91-180 days	2	-
181-365 days	-	-
Over 365 days	-	1
	<b>28,364</b>	29,111

**11. Bank borrowings**

	<b>30 June 2013 HK\$'000 (unaudited)</b>	31 December 2012 HK\$'000 (audited)
Carrying amount of the borrowings are repayable:		
Within one year	<b>8,301</b>	8,995
More than one year but not exceeding two years	<b>6,940</b>	7,877
More than two years but not more than five years	<b>11,379</b>	14,611
	<b>26,620</b>	31,483

The carrying amounts of bank borrowings are denominated in Hong Kong dollars.

The effective interest rates of the bank borrowings range from 3% to 4% per annum.

**12. Share capital**

	<b>Number of ordinary shares of HK\$0.05 each</b>	<b>Amount HK\$'000</b>
Authorised:		
At 30 June 2013 and 31 December 2012	1,000,000,000	50,000

Issued and fully paid:

	Number of ordinary shares of HK\$0.05 each		Amount	
	Six months ended 30 June 2013 (Unaudited)	Year ended 31 December 2012 (Audited)	Six months ended 30 June 2013 (Unaudited) HK\$'000	Year ended 31 December 2012 (Audited) HK\$'000
At beginning of the period	521,104,437	469,770,437	26,055	23,489
Exercise of share options	1,015,000	2,849,000	51	142
Issue of ordinary shares by placement	-	48,485,000	-	2,424
At end of the period	<b>522,119,437</b>	521,104,437	<b>26,106</b>	26,055



**13. Non-controlling interests**

	Share of net assets of subsidiaries <i>HK\$'000</i>	Share-based compensation reserve of subsidiary <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013 (audited)	11,122	1	11,123
Additional non-controlling interests arising from deemed partial disposal of interest in a subsidiary ( <i>Note 14</i> )	11,670	–	11,670
Share of loss for the year	(282)	–	(282)
Share of other comprehensive income for the year	2	–	2
Share of employee share options benefit	–	5	5
<b>At 30 June 2013 (unaudited)</b>	<b>22,512</b>	<b>6</b>	<b>22,518</b>
At 1 January 2012 (audited)	417	–	417
Capital contribution	203	–	203
Additional non-controlling interests arising from deemed partial disposal of interest in a subsidiary	11,240	–	11,240
Share of loss for the year	(741)	–	(741)
Share of other comprehensive income for the year	3	–	3
Share of employee share options benefit	–	1	1
<b>At 31 December 2012 (audited)</b>	<b>11,122</b>	<b>1</b>	<b>11,123</b>

**14. Deemed partial disposal of interest in a subsidiary**

On 4 March 2013, CVie Therapeutics Company Limited (“CVie”) issued 1,200,000 shares to Ivy Blue Holdings Limited (“Ivy Blue”) at consideration of US\$3 million. After the issue of shares, the Group’s shareholding in CVie was reduced by 8.97% to 70.98%. As the Group retained control over CVie, the Group recognised a gain on deemed partial disposal of interests in CVie of approximate HK\$11,592,000 in the equity attributable to the shareholders of the Company, and an increase in non-controlling interests of approximate HK\$11,670,000 for the shares in CVie at time of deemed partial disposal during the reporting period. Thus, Ivy Blue was the substantial shareholder of CVie when new shares were issued and was the connected party to the Group.

## 15. Related party transactions

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

### (a) Purchase from Sigma-Tau Group

Name of related party	Nature of transaction	For the six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Sigma-Tau Group	Purchase of pharmaceutical product	60,180	15,645

Besides, the Group purchased experimental products (products for use in R&D) from Sigma-Tau Group of HK\$2,135,000 (six months ended 30 June 2012: HK\$Nil).

### (b) Loans to related party

On 4 January 2013, the Group and Powder Pharmaceuticals Incorporated ("PPI") entered into a Loan Agreement, in which the Group agrees to advance a Shareholder Loan of HK\$8,000,000 to PPI at interest rate of 4% per annum, for one year commencing from the Advance Date

On 19 June 2013, the Group and PPI entered into a Supplemental Agreement, in which the Group agrees to extend the term for the Shareholder Loan granted on 23 July 2012 for further one year, and increase the principal amount up to US\$520,000 (approximately HK\$4,032,000). The interest rate remains at 4% per annum.

### (c) Compensation of directors of the Group

	For the six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Short-term employee benefits	8,128	4,592
Share-based payments	389	306
Retirement and other post-employment benefits	6,884	4,298
	15,401	9,196

**16. Capital commitments**

	<b>30 June 2013</b>	31 December 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
Intangible assets – license fee and development cost	<b>25,473</b>	20,603
Property, plant and equipment	<b>2,739</b>	9,083
Construction contracts	<b>76,136</b>	98,363
	<b>104,348</b>	128,049

**17. Pledged of assets**

As at 30 June 2013, the Group has pledged bank deposit of HK\$2,000,000 (31 December 2012: HK\$2,000,000) to secure general banking facilities granted to the Group.

In addition, the Group's obligations under finance leases are secured by the lessors' title to the motor vehicle, which have a carrying amount of HK\$579,083 (31 December 2012: HK\$1,533,531).

**18. Events after the end of the interim period****(a) Issue of shares of the Company in exchange of equity interest in Powder Pharmaceuticals Incorporated**

On 2 July 2013, the Company, pursuant to the Shareholders' Agreement, issued 15,166,667 shares to China Opportunity S.A. Sicar ("China Opportunity") in exchange for China Opportunity's 21,570 Subscription Shares in Powder Pharmaceuticals Incorporated ("PPI"). The further detail of this Share Transaction is set out in the announcements of the Company dated 24 April 2013 and 23 May 2013.

As a result, the equity interest in PPI held by the Company becomes 39.65%, PPI and its group become associates of the Company.

**(b) Shareholder Loan**

On 23 July 2013, the Group and PPI entered into the Shareholder Loan Agreement, pursuant to which, the Group agrees to advance the Shareholder Loan in the principal amount of HK\$4,000,000 to PPI at an interest rate 4% per annum for one year commencing from the Advance Date.

**(c) Series B Shares Purchase Agreement of CVie Therapeutics Company**

On 12 August 2013, CVie Therapeutics Company ("CVie"), China Cardiovascular Focus Limited ("CCF"), Ivy Blue Holdings Limited ("IBHL"), Lilly Asian Ventures Fund II, L.P. ("LAV") and CDIB Venture Capital Corporation ("CDIB") respectively entered into the Series B Shares Purchase Agreement.

The Company holds 7,595,238 Ordinary shares, representing 70.98% of the total issued share capital of CVie (on an as converted basis) currently. Immediately after the Series B Closing, the Company's equity interest in CVie will be reduced to 56.26% of the total issued share capital of CVie (on an as enlarged basis by taking into account the issuance of the Series B Shares on an as converted basis, and on the assumption that no share option is exercised under the Share Plan) as at the date of the Series B Closing. CVie will continue to be a subsidiary of the Group after Series B Shares Purchase.

### 19. Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorized based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 (Highest level): fair value measured are those derived from quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured are those derived from inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 (Lowest level): fair values measured are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### At 30 June 2013

	THE GROUP			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial Asset				
Derivative financial instrument	–	122	–	122

#### At 31 December 2012

	THE GROUP			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial Asset				
Derivative financial instrument	–	–	–	–

The fair value of derivative financial instrument is determined based on the quoted market prices for equivalent instruments at the end of the reporting period.

There were no transfers between Levels 1 and 2 in the current year.

Foreign currency forward contract classified as derivative financial instruments in the statement of financial position. Fair value as at 30 June 2013 is HK\$122,000 (31 December 2012: HK\$Nil) and the hierarchy is Level 2. Valuation techniques and key inputs is discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. There is neither significant unobservable inputs nor relationship of unobservable inputs to fair value.

## SHARE OPTION SCHEME

Pursuant to a written resolution passed by all shareholders of the Company on 26 June 2002, the Company adopted a share option scheme (the “2002 Share Option Scheme”). At the annual general meeting of the Company held on 10 May 2012, a New Share Option Scheme was adopted upon expiry of the 2002 Share Option Scheme.

Movements of the share option during the period ended 30 June 2013 were as follows:

Grantees	Date of Grant	Number of share options				Outstanding at 30.06.2013
		Outstanding at 1.1.2013	Granted	Exercised	Lapsed	
<b>Directors</b>						
Lee Siu Fong	20.12.2010	232,500	–	–	–	232,500
	20.12.2011	234,500	–	–	–	234,500
	20.12.2012	521,000	–	–	–	521,000
Leelalertsuphakun Wanee	06.09.2010	225,000	–	(225,000)	–	–
	07.10.2011	235,000	–	(235,000)	–	–
	08.10.2012	519,000	–	–	–	519,000
Li Xiaoyi	25.09.2009	448,000	–	–	–	448,000
	20.12.2010	465,000	–	–	–	465,000
	20.12.2011	469,000	–	–	–	469,000
Mauro Bove	20.12.2012	521,000	–	–	–	521,000
	11.07.2005	500,000	–	–	–	500,000
	02.06.2006	500,000	–	–	–	500,000
	20.12.2010	300,000	–	–	–	300,000
<b>Sub-total of Directors</b>		5,170,000		(460,000)	–	4,710,000
<b>Employees</b>						
	13.01.2003	150,000	–	(150,000)	–	–
	25.06.2004	2,160,000	–	–	–	2,160,000
	11.07.2005	1,785,000	–	(100,000)	–	1,685,000
	02.01.2008	320,000	–	–	–	320,000
	12.01.2010	3,025,000	–	(305,000)	(5,000)	2,715,000
	08.10.2012	6,040,000	–	–	–	6,040,000
	05.04.2013	–	300,000	–	–	300,000
<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>		16,730,000	300,000	(555,000)	(5,000)	16,470,000
<b>Grand total</b>		21,900,000	300,000	(1,015,000)	(5,000)	21,180,000

Notes:

**1. Particulars of share options:**

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

<b>Date of Grant</b>	<b>Exercise period</b>	<b>Exercise price per share HK\$</b>
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
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	2.200
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

<b>Date of Grant</b>	<b>Exercise period</b>	<b>Exercise price per share HK\$</b>
07.10.2011	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 07.04.2012-06.10.2021 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 07.01.2013-06.10.2021	2.526
20.12.2011	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 20.06.2012-19.12.2021 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 20.03.2013-19.12.2021	2.666
08.10.2012	(i) 259,500 options will be exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 08.04.2013-07.10.2022 (ii) 259,500 options will be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 08.01.2014-07.10.2022 (iii) 1,160,000 options will be exercisable during the period from 08.10.2013 to 07.10.2022; (iv) 2,230,000 options will be exercisable during the period from 08.10.2014 to 07.10.2022; (v) 2,650,000 options will be exercisable during the period from 08.10.2015 to 07.10.2022.	4.996



Date of Grant	Exercise period	Exercise price per share <i>HK\$</i>
20.12.2012	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 20.06.2013-19.12.2022 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 20.03.2014-19.12.2022	4.930
05.04.2013	(i) 50% exercisable not less than 6 months but not more than 10 years from the date of grant, i.e. during the period from 05.10.2013-04.04.2023 (ii) unexercised balance thereof, be exercisable not less than 15 months but not more than 10 years from the date of grant, i.e. during the period from 05.07.2014-04.04.2023	5.620

2. The weighted average closing price immediately before the dates on which the options were exercised was HK\$5.62.

Save as disclosed above, as at 30 June 2013 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.

## SHARE OPTION SCHEME OF A SUBSIDIARY

On 12 November 2012, a share option scheme of a subsidiary of the Company, CVie Therapeutics Company Limited (“CVie”) was approved by the shareholders of the Company.

Movements of the share option during the period ended 30 June 2013 were as follows:

Grantees	Date of Grant	Number of share options				Outstanding at 30.06.2013
		Outstanding at 1.1.2013	Granted	Exercised	Lapsed	
Employees	Tranche 1 30.11.2012	133,000	-	-	-	133,000
	Tranche 2 30.11.2012	267,000	-	-	-	267,000
	Tranche 3 30.11.2012	40,000	-	-	-	40,000
<b>Grand Total</b>		<b>440,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>440,000</b>

Particulars of share options:

Date of Grant	Exercise period	Exercise price per share HK\$
Tranche 1 30.11.2012	133,000 options will be exercisable upon the success completion of Phase II study of either Rostafuroxin or Istaroxime but not more than ten years from the date of grant.	1.628
Tranche 2 30.11.2012	267,000 options will be exercisable one year after the success completion of Phase II study of either Rostafuroxin or Istaroxime but not more than ten years from the date of grant.	1.628
Tranche 3 30.11.2012	40,000 options will be exercisable during the period from 1 December 2014 to 30 November 2022.	1.628

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2013, 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 shares	Total	% of issued share capital
Lee Siu Fong	Beneficial owner		909,375		
	Interest of corporation	(i)	120,690,625	121,600,000	23.29
Leelalertsuphakun Wanee	Beneficial owner		341,000		
	Interest of corporation	(i)	120,690,625	121,031,625	23.18
Li Xiaoyi	Beneficial owner		35,105,000		
	Interest of spouse	(ii)	16,000,000	51,105,000	9.79
Chan Yau Ching, Bob	Beneficial owner		1,190,000	1,190,000	0.23
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) 120,690,625 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	988,000	988,000
Leelalertsuphakun Wanee	Beneficial owner	519,000	519,000
Li Xiaoyi	Beneficial owner	1,903,000	1,903,000
Mauro Bove	Beneficial owner	1,300,000	1,300,000
		4,710,000	4,710,000

*(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	121,600,000	988,000	122,588,000
Leelalertsuphakun Wanee	121,031,625	519,000	121,550,625
Li Xiaoyi	51,105,000	1,903,000	53,008,000
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 June 2013 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 June 2013, 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	23.04
Defiante Farmaceutica, S.A.	Beneficial owner		137,720,000	26.38
GL Trade Investment Limited	Beneficial owner		48,485,000	9.29
FIL Limited	Beneficial owner		36,541,777	7.00
High Knowledge Investments Limited	Beneficial owner	(i)	16,000,000	3.06
Lue Shuk Ping, Vicky	Interest in corporation	(i)	16,000,000	3.06
	Interest of spouse	(ii)	35,105,000	6.72

(b) *Underlying shares*

Name	Capacity and nature	Note	Nature of underlying shares	Number of underlying Shares
Lue Shuk Ping, Vicky	Interest of spouse	(ii)	Share Options	1,903,000

(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.	137,720,000	–	137,720,000
GL Trade Investment Limited	48,485,000	–	48,485,000
FIL Limited	36,541,777	–	36,541,777
High Knowledge Investments Limited	16,000,000	–	16,000,000
Lue Shuk Ping, Vicky	51,105,000	1,903,000	53,008,000

*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 30 June 2013, 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.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Main Board Listing Rules. Having made specific enquiry, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months period ended 30 June 2013.

## **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 period ended 30 June 2013.

## **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 30 June 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Wednesday, 18 September 2013 to Thursday, 19 September 2013 (both days inclusive). In order to establish entitlements to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1726, 17th Floor Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 17 September 2013. Interim dividend will be payable on 17 October 2013 to shareholders registered in the Company's Register of Members as at the close of business on 19 September 2013.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

The interim results for the six months ended 30 June 2013 are unaudited, but have been reviewed by auditors 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 audit committee of the Company has reviewed with the management and auditors this unaudited interim report for the six months ended 30 June 2013 before recommending it to the Board for approval.

## **CORPORATE GOVERNANCE**

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of Main Board Listing Rules throughout the six months ended 30 June 2013, with deviations from provision A.5 of the Code.

Under provision A.5 of the Code, a nomination committee should be established to make recommendations to the Board on the appointment and reappointment of directors. The Board as a whole is responsible for the appointment of its own members. The Board does not establish a Nomination Committee and is not considering to establish the same in view of the small size of the Board. The Chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration. The Board will review profiles of the candidates recommended by the Chairman and make recommendation the appointment, re-election and retirement of the Directors. Candidates are appointed to the Board on the basis of their skill, competence, experience and diversity of perspectives that they can contribute to the Company.



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

On behalf of the Board

**Lee Siu Fong**

*Chairman*

Hong Kong, 28 August 2013