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)

* For identification purpose only

QUARTERLY FINANCIAL STATEMENTS

The directors (the "**Directors**") of Lee's Pharmaceutical Holdings Limited (the "**Company**") present herewith the unaudited consolidated quarterly financial results (the "**Quarterly Results**") of the Company and its subsidiaries (collectively, the "**Group**") for the nine months ended 30 September 2015, together with the comparative figures for the corresponding period in 2014. The Quarterly Results are unaudited, but have been reviewed by the Company's auditor, HLM CPA Limited (the "**Auditor**") in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The audit committee of the Company has also reviewed with the management and the Auditor this unaudited report for the nine months ended 30 September 2015 before recommending it to the board of Directors for approval.

BUSINESS REVIEW

The quarter under review turned out to be a period full of challenges and prospects for the Group. The slow-down in general economy and austere conditions in the tender process in the sector continued to create uncertainties in the market place, resulting in the Group's revenue growth predicament. Meanwhile, the proposed reform in drug registration regulations will spur drugs development by accelerating review process for innovative drugs, offering greater opportunities to the group for the foreseeable future.

Revenue of the Group for the third quarter of this year was HK$232,262,000, which represented a decrease of 5.8% over same quarter last year. Revenue of the Group for the nine months ended 30 September 2015 was HK$710,165,000, which represented an increase of 3.0% over same period last year. The Group's proprietary products such as Yallaferon®, Livaracine® and Slounase® continued to keep its moderate sales growth of 34.2%, 22.9% and 7.3%, respectively, compare with the same period last year. However, the sales of licensed-in products remained sluggish due to unfavorable environment for imported products in some of the tender processes. Hence, the consolidated sales growth was dragged down by the underperformance of Carnitene®, Ferplex® and Zanidip® during the period.

Despite of the slow-down in revenue growth, the group managed to achieve healthy growth in both operating profit (+28.7%) and net profit (+24.5%) respectively during the quarter under review, compared to the same quarter of last year. The healthy growth in profits was made possible by improvement in sales and marketing efficiency. During the quarter, selling expenses to revenue ratio was reduced by 7.6 percentage points over the corresponding quarter of last year to a level of 25.3%, and the selling expenses to revenue ratio for the period was 28.0%. The Group believes that the cost control policies adopted will eventually pay off even this may create minor, short-term negative impacts on revenue growth. With administrative and research and development ("R&D") expenses were kept in line in the quarter, the savings in selling and marketing had converted to an increase of 24.5% in net profit in the quarter compared to the same quarter last year, reaching the level of HK$61,583,000. Net profit attributable to the equity shareholders of the Company for the period increased by 20.6% over the same period last year and reached HK$164,609,000.

During the period under review, the sales of licensed-in products and proprietary products contributed 54% and 46%, respectively to the revenue. The increase in sales of proprietary products was also translated into improvement in gross profit margin, as proprietary products generally command higher margin than licensed-in products. The growth profit margin was improved 0.5% compared to the same quarter of last year to the level of 69.7%.

The Group's construction of solid dose production facility in Guangzhou Nansha manufacturing site continued to make progress and is expected to be completed on schedule. The design work of the ophthalmic drug production facility is in progress and is expected to commence the construction in early 2016.

As the robust growth in sales came to hiatus, the group has taken the opportunity to revamp its sales and marketing organisation. The aim is to not only improve its operation efficiency, but also placed greater efforts on extracting more value from existing assets, expanding the base of revenue to mitigate market risk through creation of focused units. As a result, the operating profits in the group has maintained healthy growth during current difficult environment. Both Gaslon N® and Remodulin® have started to exhibit break-out performance and could become a new driver of growth in the near future.

During the period under review, the investment in R&D expenses was HK$28,731,000 which was remained at similar level compare with the same period last year. The activities in the area also remained hectic and several important milestones have been reached during the period.

For Natulan® registration study, the Group has worked together with the principle investigator in developing the study protocol that has been confirmed by the China Food and Drug Administration ("**CFDA**"). The preparation for the study has been completed and first patient enrollment is expected by end of 2015.

In August 2015, CVie Therapeutics Limited ("**CVie**"), the Group's subsidiary has successfully obtained the approval for a global Phase IIb clinical study (Protocol No.CVT-CV-001) in Taiwan for one of its portfolio products Rostafuroxin capsule 50, 500ug with antihypertensive effect. The preparation for such Phase IIb study has been completed and the first patient enrollment is targeted by end of 2015.

In October 2015, the first patient for the phase IIb study of Anfibatide has been successfully enrolled in the Xiangya Hospital of Central South University. This is a phase IIb multi-centers, double-blinded, paralleled group, placebo controlled clinical study (clinicaltrial.gov registration No.: NCT02495012), led by the Peking University First Hospital. The study aims to evaluate the safety, efficacy, tolerability of Anfibatide in ST-segment elevation myocardial infarction (STEMI) patients who undergo PCI treatment after coronary angiography. This proof of concept study plans to enroll a total of 240 patients and standard dual antiplatelet strategy is employed with or without Anfibatide. The study involved a total of 12 centers across China.

During the quarter and up-to-date, the Group has made great strike in partnership. We have concluded five more licensing agreements with US, Chinese and Japanese companies to license or acquire assets that represent near or medium term opportunity. Most of the agreements involve manufacturing right for the asset, a reflection of the Group's strategy to exert better control over its assets by leveraging on its expanding manufacturing capability.

In August 2015, the Group entered into an agreement with a company in China and acquired the rights to manufacture and market sodium phenylbutyrate (苯丁酸鈉) tablet in China which has already received approval by CFDA. The sodium phenylbutyrate tablet will be manufactured in the Group's Guangzhou Nansha manufacturing site and launched into the market next year. Sodium phenylbutyrate is for adjunctive therapy in the chronic management of hyperammonemia due to Urea Cycle Disorder, a genetic rare disease with prevalence of one in every 8,000 new born. The disease causes severe morbidity in children with highly unmet medical need. This is a further illustration of the Group's commitment to rare disease therapy.

In August 2015, the Group entered into a Development, Supply and Commercialisation Agreement to market a pharmaceutical product dispenser which may be pre-filled with a pharmaceutical agent and used to infuse the pharmaceutical agent for use in Ropivacaine Product Field and/or Propofol Product Field in China, Hong Kong, Macau, Taiwan and Thailand. This unique formulation provides a local alternative to systemic anesthetic for management of post-surgery pain.

In September 2015, the Group entered into a License, Development and Commercialisation Agreement with Armetheon, Inc. ("**Armetheon**"), a specialty pharmaceutical company developing novel small molecule drugs for cardiovascular diseases, in which Armetheon grants to China Cardiovascular Focus Limited, a subsidiary of the Group, the exclusive license to manufacture, develop and commercialise Tecarfarin, an anticoagulant agent for the prevention of thrombosis, in China, Hong Kong, Macau, Taiwan and Thailand.

In November 2015, the Group entered into a License and Development Agreement with Tragara Pharmaceuticals, Inc. ("**Tragara**"), a US biotech company based in San Diego, California, in which Tragara grants to China Oncology Focus Limited, a subsidiary of the Group, the exclusive license to manufacture, develop and commercialise TG02 for the treatment of both hematologic and solid tumor in China, Hong Kong, Macau and Taiwan. Adding this targeted therapy agent into the Group's pipeline, together with a PD-L1 monoclonal antibody, an oncolytic virus and a proprietary chemo agent under development, will well position the Group in the oncology space and making in-house combination treatment possible.

In November 2015, the Group entered into a License, Promotional and Supply Agreement with Solasia Pharma K.K. ("**Solasia**"), in which Solasia grants to Lee's Pharmaceutical (HK) Limited, a subsidiary of the Group, the exclusive license to promote, offer for sale, sell, market, distribute and deliver Sancuso® in China (excluding Taiwan, Hong Kong, Macau, Beijing, Shanghai and Guangzhou). Sancuso® is in the form of patch and provides an alternative to taking pills for the continuous control of chemotherapy induced nausea and vomiting.

PROSPECT

With the indication of the economy may below the official goal of 7% GDP growth this year by the Chinese Government and the uncertainty in tender policies in various provinces in the near term, the pharmaceutical market in China is expected to remain challenging for the coming quarter. The environment in the tender process may continue to be less favourable to imported products and sales of the Group's licensed-in products may continue to face strong headwind in the near future. Nevertheless, the Group will keep up its effort to review and improve the operation efficiency and enhance the profitability of its business.

The recently announcement from the CFDA about the three-year pilot program which aim at accelerating the drug approval process in 10 locations across China shows a positive signals to the industry as this may improve the time to the patient and time to the market problem at the moment. The reform will significantly enhance transparency of the drug review process that is the key to bring more innovative products to market quickly. With more than 46 development programs in various stages, the Group is poised to benefit enormously from the improvement in transparency and speed of the drug review process. Furthermore, the Group's recent focuses on oncology products, rare diseases products and pediatric products fit perfectly to the priority set out in the pilot program. As a result, the visibility of the Group's pipeline will be boosted greatly in the near future.

The Group will continue to leverage on its solid foundation of business operations and financial position to improve and to explore viable opportunities for future growth so as to enhance shareholders' value and to provide the best return for the shareholders.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 30 September 2015

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2015	2014	**2015**	2014
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	(2)	**232,262**	246,679	**710,165**	689,395
Cost of sales		**(70,399)**	(75,872)	**(210,473)**	(207,121)
Gross profit		**161,863**	170,807	**499,692**	482,274
Other revenue		**3,695**	4,273	**7,325**	11,016
Gain on deemed disposal of interest in an associate		**–**	–	**31,908**	–
Selling and distribution expenses		**(58,835)**	(81,059)	**(199,180)**	(229,665)
Fair value change of derivative financial instruments		**3,027**	–	**10,092**	–
Research and development expenses		**(6,498)**	(9,808)	**(28,731)**	(32,224)
Administrative expenses		**(27,504)**	(25,340)	**(102,824)**	(66,255)
Profit from operations		**75,748**	58,873	**218,282**	165,146
Finance costs		**(779)**	(673)	**(2,280)**	(2,055)
Share of results of associates		**(4,515)**	1,276	**(27,871)**	(2,213)
Profit before taxation		**70,454**	59,476	**188,131**	160,878
Taxation	(3)	**(13,265)**	(11,401)	**(35,298)**	(28,642)
Profit for the period		**57,189**	48,075	**152,833**	132,236
Attributable to:					
Shareholders of the Company		**61,583**	49,466	**164,609**	136,539
Non-controlling interests		**(4,394)**	(1,391)	**(11,776)**	(4,303)
		57,189	48,075	**152,833**	132,236
		HK cents	*HK cents*	***HK cents***	*HK cents*
Earnings per share					
Basic	(5)	**10.50**	9.10	**28.76**	25.17
Diluted	(5)	**10.36**	8.92	**28.35**	24.42

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2015

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period	**57,189**	48,075	**152,833**	132,236
Other comprehensive income (expense):				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas subsidiaries	**(25,304)**	2,429	**(22,528)**	(9,137)
Fair value change of available-for-sale financial assets	**(28,628)**	–	**(5,211)**	–
Other comprehensive (expense) income for the period, net of tax	**(53,932)**	2,429	**(27,739)**	(9,137)
Total comprehensive income for the period	**3,257**	50,504	**125,094**	123,099
Total comprehensive income (expense) for the period attributable to:				
Shareholders of the Company	**9,744**	51,894	**138,452**	127,389
Non-controlling interests	**(6,487)**	(1,390)	**(13,358)**	(4,290)
	3,257	50,504	**125,094**	123,099

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

	Attributable to the shareholders of the Company										
	Share capital	Share premium	Merger difference	Share-based compensation reserve	Other reserve	Investments revaluation reserve	Exchange reserve	Retained profits	Sub-total	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015 (audited)	27,236	301,196	9,200	7,782	59,344	3,319	7,793	518,471	934,341	64,526	998,867
Employee share option benefits	–	–	–	2,860	–	–	–	–	2,860	–	2,860
Exercise of share options	247	21,301	–	(2,677)	–	–	–	–	18,871	–	18,871
Share of share-based compensation reserve of a subsidiary	–	–	–	17	–	–	–	–	17	13	30
Issue of shares pursuant to Placing Agreement	1,500	382,147	–	–	–	–	–	–	383,647	–	383,647
Issue of shares pursuant to Shareholders' Agreement	345	12,035	–	–	–	–	–	–	12,380	–	12,380
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	586	586
Profit (loss) for the period	–	–	–	–	–	–	–	164,609	164,609	(11,776)	152,833
Other comprehensive expense for the period	–	–	–	–	–	(5,211)	(20,946)	–	(26,157)	(1,582)	(27,739)
Total comprehensive income (expense) for the period	–	–	–	–	–	(5,211)	(20,946)	164,609	138,452	(13,358)	125,094
2014 final dividend paid	–	–	–	–	–	–	–	(38,577)	(38,577)	–	(38,577)
2015 interim dividend declared	–	–	–	–	–	–	–	(17,596)	(17,596)	–	(17,596)
At 30 September 2015 (unaudited)	29,328	716,679	9,200	7,982	59,344	(1,892)	(13,153)	626,907	1,434,395	51,767	1,486,162

	Attributable to the shareholders of the Company										
	Share capital	Share premium	Merger difference	Share-based compensation reserve	Other reserve	Investments revaluation reserve	Exchange reserve	Retained profits	Sub-total	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014 (audited)	26,912	292,326	9,200	5,392	60,312	–	23,284	368,579	786,005	66,053	852,058
Employee share option benefits	–	–	–	2,812	–	–	–	–	2,812	–	2,812
Exercise of share options	286	7,443	–	(1,253)	–	–	–	–	6,476	–	6,476
Share of share-based compensation reserve of a subsidiary	–	–	–	17	–	–	–	–	17	13	30
Acquisition of additional interest in a subsidiary	–	–	–	–	(996)	–	–	–	(996)	966	(30)
Deemed partial disposal of interest in a subsidiary	–	–	–	–	28	–	–	–	28	4	32
Profit (loss) for the period	–	–	–	–	–	–	–	136,539	136,539	(4,303)	132,236
Other comprehensive(expense) income for the period	–	–	–	–	–	–	(9,150)	–	(9,150)	13	(9,137)
Total comprehensive income (expense) for the period	–	–	–	–	–	–	(9,150)	136,539	127,389	(4,290)	123,099
2013 final dividend paid	–	–	–	–	–	–	–	(28,251)	(28,251)	–	(28,251)
2014 interim dividend declared	–	–	–	–	–	–	–	(14,687)	(14,687)	–	(14,687)
At 30 September 2014 (unaudited)	27,198	299,769	9,200	6,968	59,344	–	14,134	462,180	878,793	62,746	941,539

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated results have been prepared in accordance with Hong Kong Accounting Standards ("**HKASs**") and Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values as appropriate.

The accounting policies and method of computation used in preparing the unaudited condensed consolidated results are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2014 except as described below.

In the current interim period, the Group has applied, for the first time, the following new amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 19 (2011)	Defined Benefit Plan: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRS 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRS 2011-2013 Cycle

The application of the above amendments to HKAS and HKFRSs in the current period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

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

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exemption[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRSs	Annual Improvements to HKFRS 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

The Group is in the process of making an assessment of what the impact of these new and revised HKASs and HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the unaudited condensed consolidated financial statements of the Group.

2. REVENUE

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

Business segments

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Proprietary products	**111,304**	97,423	**325,375**	274,729
Licensed-in products	**120,958**	149,256	**384,790**	414,666
	232,262	246,679	**710,165**	689,395

Geographical segments

During the nine months ended 30 September 2015 and 2014, more than 90% of the Group's revenue was derived from activities conducted in the People's Republic of China (the "**PRC**"), no geographical segment information is presented.

3. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax				
Hong Kong Profits Tax	**10,601**	8,300	**23,500**	18,700
PRC Enterprise Income Tax	**2,476**	2,392	**10,723**	8,500
Underprovision in prior years	**51**	274	**54**	1,252
	13,128	10,966	**34,277**	28,452
Deferred tax				
Origination and reversal of temporary differences	**137**	435	**1,021**	190
	13,265	11,401	**35,298**	28,642

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. Tax arising in the PRC is calculated at the rates of tax prevailing in the PRC. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

4. DIVIDENDS

An interim dividend of HK$0.030 per share, totalling HK$17,596,000 for the six months ended 30 June 2015 (2014: HK$14,687,000) was declared on 27 August 2015 and paid on 15 October 2015.

The Board does not recommend the payment of other interim dividend for the nine months ended 30 September 2015 (2014: Nil).

5. EARNINGS PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earning:				
Net profit attributable to the shareholders of the Company for the purpose of basic earnings per share	**61,583**	49,466	**164,609**	136,539
Effect of dilutive potential ordinary shares:				
Adjustment in relation to contingent share arrangement	**–**	–	**–**	(418)
Net profit attributable to the shareholders of the Company for the purpose of diluted earnings per share	**61,583**	49,466	**164,609**	136,121

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	Share(s)'000	*Share(s)'000*	***Share(s)'000***	*Share(s)'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**586,495**	543,798	**572,388**	542,427
Effect of dilutive potential ordinary shares:				
Options	**7,870**	10,991	**8,307**	10,002
Contingent share arrangement	**–**	–	**–**	4,996
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**594,365**	554,789	**580,695**	557,425

6. RELATED PARTY TRANSACTIONS

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

(a) Purchase from Sigma-Tau Group

Name of related party	*Note*	Nature of transaction	For the nine months ended 30 September 2015 *HK$'000* (unaudited)	2014 *HK$'000* (unaudited)
Sigma-Tau Industrie Farmaceutiche Riunite S.p.A ("STIFR")	**(1)**	Purchase of pharmaceutical products	**38,030**	59,848
STIFR	**(1)**	Purchase of experimental products for use in research & development	**2,899**	809
			40,929	60,657

Note:

1. The amount represented the transactions made on or before 31 May 2015. STIFR ceased to be the related party of the Group from 1 June 2015 because it has ceased as an associate (as defined in the Listing Rules) of a substantial shareholder of the Company due to the restructuring of Sigma-Tau Group. As a result, STIFR is no longer a connected person of the Company and the transaction made between STIFR and any members of the Group thereafter will no longer constitute related party transactions and continuing connected transactions of the Company.

(b) Interest income from shareholder loans to Powder Pharmaceuticals Incorporated ("PPI")

During the nine months ended 30 September 2015, the Group received approximate HK$645,000 (30 September 2014: HK$363,000) interest income from loans to PPI. PPI is an associate to the Group. Upon the completion of the issuance of series A preferred shares of PPI on 24 June 2015, the aggregate shareholding interest in PPI held by all connected persons of the Company under the Listing Rules at the issuer level, namely (a) Sigma-Tau Finanziaria S.p.A. which became a substantial shareholder of the Company from 19 February 2015 due to the restructuring of Sigma-Tau Group; (b) Dr. Li Xiaoyi, who is a director and a substantial shareholder of the Company; and (c) Swift Power Investments Limited which is a company wholly-owned by Dr. Li Xiaoyi, has been diluted to 9.05%. As a result, PPI is no longer a commonly held entity as defined in Rule 14A.27 of the Listing Rules, and therefore the financial assistances made by the Group to PPI from 24 June 2015 onwards will no longer constitute connected transactions pursuant to Rule 14A.26 of the Listing Rules.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follow:

	For the nine months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term employee benefits	**10,224**	9,458
Share-based payments	**654**	867
Retirement and other post-employment benefits	**4,681**	12,490
	15,559	22,815

(d) Issue of subsidiary's shares to Perfect Concept Holdings Limited

During the period under review, China Oncology Focus Limited, on a pro rata basis, issued 1,050 shares to Perfect Concept Holdings Limited ("**Perfect Concept**"). Dr. Li Xiaoyi, Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee, directors of the Company, are the majority of the beneficial owners of Perfect Concept and Perfect Concept is considered as a related party to the Group. Total consideration received for the issue of shares is US$75,600 (approximately HK$586,000).

7. CAPITAL AND OTHER COMMITMENTS

	30 September 2015	31 December 2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital commitments in respect of:		
Construction contracts	**14,700**	25,334
Intangible assets – license fee and development cost	**55,696**	40,862
Investments	**69,453**	14,793
Leasehold land	**108,556**	–
Property, plant and equipment	**42,354**	10,178
	290,759	91,167

At 30 September 2015, the Group has no commitment on outstanding foreign currency forward contract to buy Euro (At 31 December 2014: EUR12,000,000).

DIVIDEND

The Board does not recommend payment of dividend for the nine months ended 30 September 2015. (For the nine months ended 30 September 2014: Nil)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2015.

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

Hong Kong, 25 November 2015

As at the date of this report, Ms. Lee Siu Fong (Chairman), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive directors of the Company, Dr. Marco Maria Brughera is a non-executive director of the Company, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive directors of the Company.