



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)

INTERIM REPORT 2017



## INTERIM FINANCIAL STATEMENTS

The directors (the “**Directors**”) of Lee’s Pharmaceutical Holdings Limited (the “**Company**”) present herewith the unaudited consolidated interim financial results (the “**Interim Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016. The Interim 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 Auditor’s report on their review of the Interim Results of the Group will be included in the interim report to be sent to the owners of the Company. The audit committee of the Company has also reviewed with the management and the Auditor the Interim Results before recommending it to the board of Directors for approval.

## BUSINESS REVIEW

The Group has seen encouraging momentum in both revenue and net profit growth during the second quarter. For the first time since first quarter of 2015, quarterly sales grew in the double digit realm with major products achieving volume growth. It was accomplished against the persistent market headwind brought about by uncertainty in healthcare reform in China. The decrease in gross profit margin and increase in research and development (“**R&D**”) spending also put pressure on the net profit. However, helped by the sustainable cost saving achieved through the optimised cost structure in sales and marketing and by the one-time gain generated from the deemed disposal of CVie Therapeutics Limited (“**CVie Taiwan**”), the Group managed to bring the net profit growth back to the positive territory. The strong second quarter has resulted in a positive first half of 2017, not only in financial performance but also in R&D and partnership front.

Taking into account the negative impact of the 4% depreciation of Renminbi, the Group has recorded revenue of HK\$248,550,000 during the second quarter of this year, increased by 10.9% over same quarter last year. The accelerated growth was produced by increase in sales volume and value (in Renminbi) in major products the Group has in the market. The revenue growth of the Group’s major products such as Carnitene<sup>®</sup>, Ferplex<sup>®</sup>, Zanidip<sup>®</sup>, Livaracine<sup>®</sup> and Slounase<sup>®</sup> in the second quarter (in Hong Kong Dollar) were 4.9%, 68.4%, 13.0%, 9.3% and 3.0%, respectively.

Sales of licensed-in products accounted for 53.3% (For the six months ended 30 June 2016: 51.5%) of the Group's revenue while sales of proprietary products contributed 46.7% (For the six months ended 30 June 2016: 48.5%) of the Group's revenue.

During the second quarter of this year, the Group's gross profit margin of 68.2% was 2.1 percentage points improved as compared to 66.1% achieved during the first quarter of this year. Nevertheless, product selling price pressure as well as the increased production costs of proprietary products continue to cast a shadow on gross profit margin growth. The Group's gross profit margin for the six months ended 30 June 2017 was 67.2% and was 5.7 percentage points lower versus 72.9% for the same period last year.

As a result of good progress in the development of Rostafuroxin and Istaroxime, CVie Taiwan has managed to attract a good set of Taiwan-based investors. On 24 May 2017, CVie Taiwan successfully raised additional funding of US\$7.5 million (approximately HK\$58.5 million equivalent) by mean of the issuance of Series A Preferred Shares thereof to finance the ongoing clinical trials. The interests in CVie Taiwan held by the Group was diluted from 56.26% to 49.58% upon the completion in June 2017 and CVie Taiwan ceased to be an indirect non-wholly owned subsidiary and become an associated company of the Group. With respect to the abovementioned fund raising, the Group recorded a one-time gain of HK\$58,066,000 which was arising from the deemed disposal of the Group's partial interests in CVie Taiwan. In order to tie in with the change of control of CVie Taiwan, HK\$42,708,000 of R&D costs capitalised in the prior years in relation to Rostafuroxin and Istaroxime were written off during the period under review.

The Group's sales and marketing efficiency enhancement program has proved to be sustainable and the selling expenses to revenue ratio has lowered further to 19.9%, reduced by 4.7 percentage points as compared to the same period last year. The savings therefrom continued to fund the Group's R&D activities on new drugs. During the first half of the year, the R&D expenses was increased by 13.4% to HK\$36,993,000, which represented 7.8% of revenue during the period under review. In addition to the abovementioned one-time R&D costs written off, an aggregate of HK\$7,915,000 of licensing and R&D costs capitalised in the prior years were written off during the period under review. The savings from selling and distribution activities continued to support also the increased administrative expenses. Net profit attributable to the owners of the Company for the period upheld a mild growth of 3.0% and reached HK\$125,070,000 despite gross profit margin erosion.

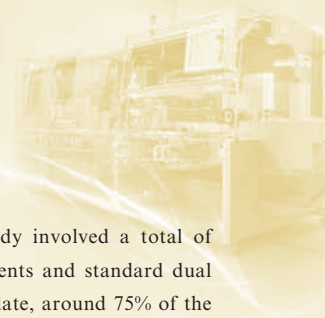
The Group's solid dose production facility in its Nansha manufacturing site is already in operation and the approval for Good Manufacturing Practice (GMP) certification is expected in the near future. The construction work of the Group's ophthalmic drugs production facility in its Nansha manufacturing site is in good progress and is on target for completion in 2017.

During the period under review, we have concluded another partnership deal with a U.S. company. In June 2017, the Group has entered into an exclusive license and collaboration agreement with Windtree Therapeutics, Inc. ("Windtree") for the development and commercialisation of KL4 surfactant products in select Asian markets using Windtree's proprietary KL4 surfactant and aerosolisation technologies. The agreement includes AEROSURF<sup>®</sup> as well as the non-aerosol products SURFAXIN<sup>®</sup> (approved in the U.S.) and SURFAXIN LS (an improved lyophilised formulation of SURFAXIN<sup>®</sup>). Also, Windtree has granted the Group an exclusive license to manufacture KL4 surfactant in China for use in non-aerosol surfactant products in the licensed territory. Respiratory Distress Syndrome is a life-threatening problem for premature baby and surfactant is the only effective remedy. The estimated market size in China is reportedly more than RMB600 million. However, current marketed products are all animal-derived and SURFAXIN<sup>®</sup> is the only approved non-animal derived product. As a result, it is expected to have a competitive edge over the existing product once it is launched in China.

The Group's commitment to R&D persisted in the quarter and measurable progress has been made during the period.

Phase Ib/IIa clinical study of Adapalene and Clindamycin combination hydrochloride gel for acne vulgaris (moderate to severe acne) has been completed and positive results therefrom which meet pre-specified endpoints has been attained. The study demonstrated that patients treated with 0.1% Adapalene + 1% Clindamycin showed the best results in the percent reduction in both lesion and inflamed lesion count. Phase III study is envisaged to initiate later this year.

Natulan<sup>®</sup> registration study for the treatment of advanced Hodgkin's lymphoma in the PRC is in progress. This is a study targeting a total of 184 patients in total and around 15% of the patients has been enrolled so far.

A photograph of laboratory glassware, including beakers and flasks, arranged on a surface. The image is semi-transparent and serves as a background for the top right portion of the page.

Phase IIb study of Anfibatide is in good progress. The study involved a total of 12 centers across China and is expected to enroll a total of 240 patients and standard dual anti-platelet strategy is employed with or without Anfibatide, and to date, around 75% of the patients has been enrolled.


Phase III clinical trial for advanced liver cancer using its oncolytic immunotherapy called Pexa-Vec (formerly JX-594), the PHOCUS study, has been approved (Approval No. 2017L04441) by the China Food and Drug Administration (CFDA). With the new standards under the regulatory reform, the advisory committee meeting for this approval was held by CFDA Center for Drug Evaluation (CDE) and, for the first time ever, invited public and media representatives to attend and granted the chance to speak. Towards the end of the meeting, the experts come to a decision by ballot and the approval was announced by the chairman of the meeting at the scene.

The development of the two cardiovascular assets, namely Rostafuroxin and Istaroxime, under CVie Taiwan has made significant progress during the period under review.

Phase IIb clinical study (Protocol No. CVTCV-001) in Taiwan for Rostafuroxin capsule 50, 500ug with antihypertensive effect is in full swing. The study involved a total of 17 centers and 18 centers respectively across Italy and Taiwan. To date, the Italian arm of the study was substantially completed, and to date, over 85% of the patients required have been enrolled for Taiwan study (MOHW's Approval Notice No. 1046044455).

Istaroxime is a first-in-class luso-inotropic agent for the treatment of acute decompensated heart failure and is currently in its Phase IIb clinical study in Italy (24 patients) and China (96 patients). Istaroxime possesses a dual mode of action, combining inotropic (myocyte contraction) and lusotropic (myocyte relaxation) effects. To date, the Italian arm of the study has been substantially completed, and all 36 patients of first cohort have been enrolled in China. The study in China is expected to be completed by end of 2017.

The development of Zingo® under Powder Pharmaceuticals Incorporated (“PPI”), an associated company of the Group, has also achieved positive progress during the period under review. In March 2017, Zingo®, has been granted by CFDA priority review for its clinical trial application. The clinical program will be commenced soon and is targeted to be approved by CFDA in this year.

A photograph of a large, modern hospital building with multiple wings and a central tower. The building is surrounded by greenery and is set against a clear sky. The image is semi-transparent and serves as a background for the bottom portion of the page.

Overall, the Group has more than 13 clinical studies in either operational or preparatory stage. Several of those clinical studies are registration enabling study and successful conclusion of those studies is the Group's priority. And the Group will continue to commit in these new drugs development to facilitate sustainable growth in the future.

## **PROSPECT**

The Group maintains its view that the operating environment in the pharmaceutical sector will be challenging. The Group expects regulators will continue to streamline and improve the rules and regulations in pharmaceutical industry which may end up altering each of the elements therein, such as manufacture, distribution, marketing, compliance, and continue to pose major challenges, including selling price pressure of products and rising cost pressure in developments and productions, which may create additional burdens on its business operations. Nevertheless, the overall trend towards enhanced governance of the industry and the growing size of the market shall underpin the fundamentals of the market for safe and quality drugs in the long term, from which the Group is confident that sustainable long term growth of its business can be achievable.

In addition, the reform in drug regulations has begun to benefit the Group's development efforts and product's time-to-clinic has been significantly shortened. In August 2017, the Group has obtained two more IND approvals for oncology and ophthalmic product respectively. The acceleration in product development will translate into faster time-to-market for the Group's strong portfolio which in turn will catalyse a new growth trajectory in near future.

## FINANCIAL REVIEW

### Gross Profit Margin

The Group recorded a gross profit of HK\$318,957,000 for the six months ended 30 June 2017, slightly decreased by 2.7% as compared to the corresponding period of HK\$327,751,000. Gross profit margin was 67.2% during the period under review, dropped by 5.7 percentage points as compared to 72.9% recorded in the corresponding period, which was mainly attributable to the product selling price pressure as well as the increased production costs of proprietary products during the period under review.

### Selling and Distribution Expenses

Selling and distribution expenses to revenue ratio for the six months ended 30 June 2017 was 19.9%, represented a remarkable improvement of 4.7 percentage points compared with 24.6% for the same period last year. It was mainly attributable to the Group's optimised cost structure in sales and marketing which led to considerable cost savings during the period under review.

### Research and Development Expenses

Research and development ("R&D") expenses for the first half year was HK\$36,993,000, increased by 13.4% as compared with HK\$32,629,000 spent over the same period last year. The Group kept spending heavily in R&D to speed up new products development and aimed at shortening the time-to-market thereof.

### Administrative Expenses

Administrative expenses for the six months ended 30 June 2017 was HK\$81,271,000, increased by 18.4% as compared with HK\$68,629,000 in the same period last year, which was in line with the Group's ongoing business expansion in Nansha.

### Other Payables

Other payable balance as at 30 June 2017 amounted to HK\$215,393,000 (as at 31 December 2016: HK\$172,340,000). Other payables mainly included prepayment from customers and amounts payable in respect of sale guarantee deposit.

### Liquidity and Financial Resources

The Group's principal sources of working capital in the current period included cash flow from operating activities and bank borrowings.

As at 30 June 2017, the Group's current ratio (current assets divided by current liabilities) was 2.49 (31 December 2016: 2.47). As at 30 June 2017, the Group had net cash position of HK\$386,781,000 (31 December 2016: net cash of HK\$398,036,000) which represented cash and bank balances of HK\$327,873,000 (31 December 2016: HK\$295,282,000), pledged bank deposits of HK\$37,219,000 (31 December 2016: HK\$26,639,000), time deposits of HK\$132,855,000 (31 December 2016: HK\$209,693,000), and short term bank borrowings of HK\$111,166,000 (31 December 2016: HK\$133,578,000). The calculation of Group's gearing ratio based on the net borrowings (after deducting cash and bank balances) to equity attributable to the owners of the Company was nil as at 30 June 2017 (31 December 2016: nil). 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 the future.

### **Foreign Exchange Exposure**

Currently, the Group earns revenue and incurs costs in Renminbi, Hong Kong dollars, European Union euro, Japanese Yen, New Taiwan dollars and United States 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.

### **Pledge of Assets**

As at 30 June 2017, the Group has pledged bank deposits of HK\$37,219,000 to secure general banking facilities granted to an associate of the Group (31 December 2016: pledged bank deposits of HK\$26,639,000 to secure general banking facilities granted to the Group and service provided by supplier).

The Group's obligations under finance leases is secured by the lessor's title to the motor vehicles, which have an aggregate carrying amount of HK\$1,763,000 as at 30 June 2017 (31 December 2016: HK\$1,874,000).

### **Employee Information**

As at 30 June 2017, the Group had 902 employees working in Hong Kong and mainland China (31 December 2016: 851 employees working in Hong Kong, Taiwan and mainland China). Total employee remuneration, including director remunerations, retirement benefit provision and mandatory provident fund contributions, for the period under review amounted to approximately HK\$101.5 million (For the six months ended 30 June 2016: HK\$85.7 million). 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.



## 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 of the Company (the “**New Share Option Scheme**”) was adopted upon expiry of the 2002 Share Option Scheme.

Details of the Company’s share option schemes are summarised as follow:

Date of grant	Outstanding at 01.01.2017	Granted	During the period Exercised	Lapsed	Outstanding at 30.06.2017	Exercise period	Exercise price per share
<i>Category I: Directors</i>							
30.12.2013	876,000	-	-	-	876,000	30.06.2014-29.12.2023	HK\$7.300
31.03.2015	1,338,000	-	-	-	1,338,000	30.09.2015-30.03.2025	HK\$11.200
31.03.2016	1,761,000	-	-	-	1,761,000	30.09.2016-30.03.2026	HK\$5.754
13.04.2017	-	1,770,000	-	-	1,770,000	13.10.2017-12.04.2027	HK\$7.548
<i>Category II: Employees</i>							
02.01.2008	320,000	-	-	-	320,000	02.07.2008-01.01.2018	HK\$0.492
12.01.2010	240,000	-	-	-	240,000	12.07.2010-11.01.2020	HK\$2.200
20.12.2010	300,000	-	-	-	300,000	20.06.2011-19.12.2020	HK\$3.750
08.10.2012	4,708,000	-	(272,000)	-	4,436,000	08.10.2013-07.10.2022	HK\$4.996
05.04.2013	300,000	-	-	-	300,000	05.10.2013-04.04.2023	HK\$5.620
30.12.2013	2,024,000	-	-	-	2,024,000	30.12.2014-29.12.2023	HK\$7.300
07.10.2014	600,000	-	-	-	600,000	30.06.2015-06.10.2024	HK\$10.340
07.10.2014	750,000	-	-	-	750,000	03.10.2015-06.10.2024	HK\$10.340
<b>Total</b>	<b>13,217,000</b>	<b>1,770,000</b>	<b>(272,000)</b>	<b>-</b>	<b>14,715,000</b>		
Exercisable at the end of the period					12,695,000		
Weighted average exercise price		HK\$6.602	HK\$7.548	HK\$4.996	-	HK\$6.746	

The weighted average share price on which the options were exercised is HK\$7.057.

## Particulars of share options:

<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price per share HK\$</b>
02.01.2008	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 02.07.2008 – 01.01.2018	0.492
	(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	
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	2.200
	(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	
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	3.750
	(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	
08.10.2012	(i) 259,500 options exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 08.04.2013 – 07.10.2022	4.996
	(ii) 259,500 options 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 exercisable during the period from 08.10.2013 – 07.10.2022	
	(iv) 2,230,000 options exercisable during the period from 08.10.2014 – 07.10.2022	
	(v) 2,650,000 options exercisable during the period from 08.10.2015 – 07.10.2022	

Date of grant	Exercise period	Exercise price per share HK\$
05.04.2013	(i) 50% exercisable not less than 6 months but not more than 10 years from the date of grant, i.e. 05.10.2013 – 04.04.2023 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 05.07.2014 – 04.04.2023	5.620
30.12.2013	(i) 1,614,000 options: 50% exercisable not less than 6 months but not more than 10 years from the date of grant, i.e. 30.06.2014 – 29.12.2023; and in respect of the unexercised balance thereof be exercisable not less than 15 months but not more than 10 years from the date of grant, i.e. 30.03.2015 – 29.12.2023 (ii) 669,000 options will be exercisable during the period from 30.12.2014 – 29.12.2023 (iii) 669,000 options will be exercisable during the period from 30.12.2015 – 29.12.2023 (iv) 702,000 options will be exercisable during the period from 30.12.2016 – 29.12.2023	7.300

Date of grant	Exercise period	Exercise price per share HK\$
07.10.2014	(i) 600,000 options: 50% will be exercisable during the period from 30.06.2015 – 06.10.2024; and 50% will be exercisable during the period from 30.06.2016 – 06.10.2024	10.340
	(ii) 250,000 options will be exercisable during the period from 03.10.2015 – 06.10.2024	
	(iii) 250,000 options will be exercisable during the period from 03.10.2016 – 06.10.2024	
	(iv) 250,000 options will be exercisable during the period from 03.10.2017 – 06.10.2024	
31.03.2015	(i) 669,000 options will be exercisable during the period from 30.09.2015 – 30.03.2025	11.200
	(ii) 669,000 options will be exercisable during the period from 30.06.2016 – 30.03.2025	
31.03.2016	(i) 880,500 options will be exercisable during the period from 30.09.2016 – 30.03.2026	5.754
	(ii) 880,500 options will be exercisable during the period from 30.06.2017 – 30.03.2026	
13.04.2017	(i) 885,000 options will be exercisable during the period from 13.10.2017 – 12.04.2027	7.548
	(ii) 885,000 options will be exercisable during the period from 13.07.2018 – 12.04.2027	

## SHARE OPTION SCHEME OF A SUBSIDIARY

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

Movements of the share option during the period ended 30 June 2017 were as follows:

Grantees	Date of Grant	Number of share options				Outstanding at 30.06.2017
		Outstanding at 1.1.2017	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>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' RIGHTS TO ACQUIRE SHARES**

Save as the interests disclosed in the section headed “Directors’ and Chief Executive’s Interests in Securities” below, at no time during the period ended 30 June 2017 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

## **DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SECURITIES**

As at 30 June 2017, the Directors and the chief executive of the Company and their associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules:

## (a) Long position in shares of the Company (“Shares”)

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding	
			Total	(%)
Lee Siu Fong	Beneficial Owner	2,171,375		
	Interest held jointly with Leelalertsuphakun Wanee	1,600,000		
	Interest of a controlled corporation ( <i>Note 1</i> )	<u>114,000,625</u>	117,772,000	19.95%
Leelalertsuphakun Wanee	Beneficial Owner	3,234,500		
	Interest held jointly with Lee Siu Fong	1,600,000		
	Interest of a controlled corporation ( <i>Note 1</i> )	<u>114,000,625</u>	118,835,125	20.13%
Li Xiaoyi	Beneficial owner	39,081,266		
	Family interest ( <i>Note 2</i> )	16,000,000		
	Others	<u>2,185,551</u>	57,266,817	9.70%
Chan Yau Ching, Bob	Beneficial owner	1,060,000		0.18%
Lam Yat Cheong	Beneficial owner	300,000		0.05%
Tsim Wah Keung, Karl	Beneficial owner	300,000		0.05%

*Notes:*

- (1) 114,000,625 Shares are held through Huby Technology Limited (“**Huby Technology**”). Huby Technology is an investment holding company jointly owned by Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee.
- (2) These Shares are held by High Knowledge Investments Limited (“**High Knowledge**”) which is wholly owned by Dr. Li Xiaoyi’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 Xiaoyi.

**(b) Long position in underlying Shares – share options of the Company**

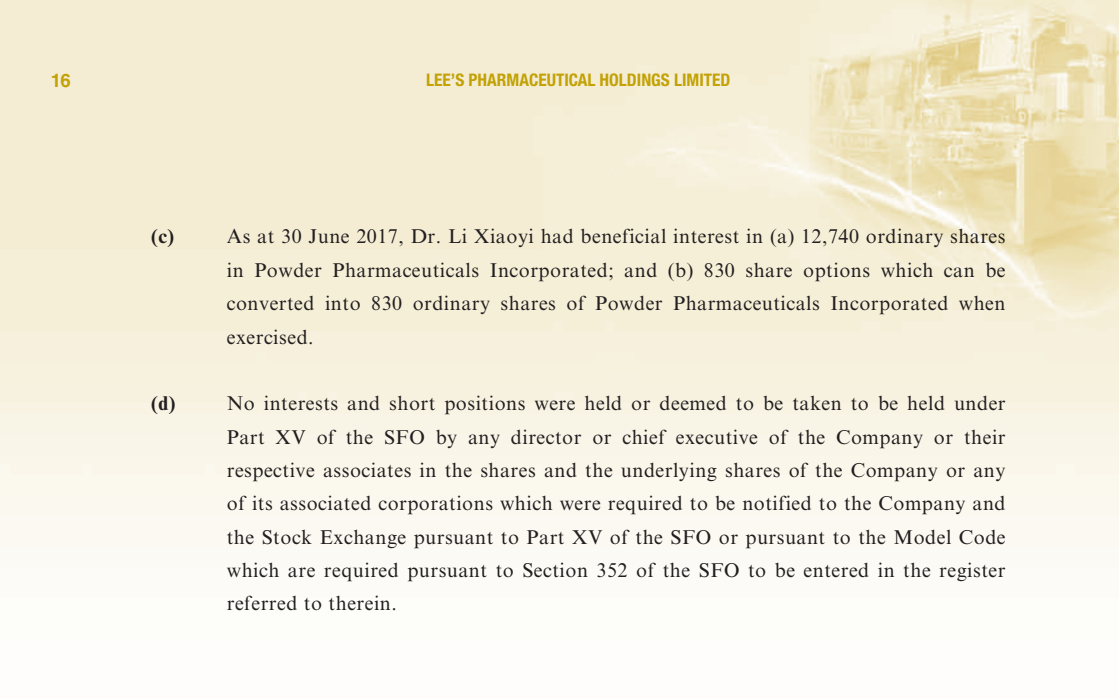
Under the share option schemes of the Company, the following directors of the Company have personal interest in options to subscribe for the Shares. Details of the share options granted to them are as follows:

Name of Director	Date of grant	Exercisable period (Note)	Balance	Granted during the period	Exercised during the period	Balance	Exercise price per share HK\$
			as at 1 January 2017			as at 30 June 2017	
Lee Siu Fong	30 December 2013	(1)	538,000	-	-	538,000	7.300
	31 March 2015	(2)	446,000	-	-	446,000	11.200
	31 March 2016	(3)	587,000	-	-	587,000	5.754
	13 April 2017	(4)	-	590,000	-	590,000	7.548
			1,571,000	590,000	-	2,161,000	
Leelalertsuphakun Wanee	30 December 2013	(1)	338,000	-	-	338,000	7.300
	31 March 2015	(2)	446,000	-	-	446,000	11.200
	31 March 2016	(3)	587,000	-	-	587,000	5.754
	13 April 2017	(4)	-	590,000	-	590,000	7.548
			1,371,000	590,000	-	1,961,000	
Li Xiaoyi	31 March 2015	(2)	446,000	-	-	446,000	11.200
	31 March 2016	(3)	587,000	-	-	587,000	5.754
	13 April 2017	(4)	-	590,000	-	590,000	7.548
			1,033,000	590,000	-	1,623,000	

*Notes:*

- (1) Divided into 2 tranches exercisable from 30 June 2014 and 30 March 2015 respectively to 29 December 2023.
- (2) Divided into 2 tranches exercisable from 30 September 2015 and 30 June 2016 respectively to 30 March 2025.
- (3) Divided into 2 tranches exercisable from 30 September 2016 and 30 June 2017 respectively to 30 March 2026.
- (4) Divided into 2 tranches exercisable from 13 October 2017 and 13 July 2018 respectively to 12 April 2027.



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- (c) As at 30 June 2017, Dr. Li Xiaoyi had beneficial interest in (a) 12,740 ordinary shares in Powder Pharmaceuticals Incorporated; and (b) 830 share options which can be converted into 830 ordinary shares of Powder Pharmaceuticals Incorporated when exercised.
- (d) No interests and short positions were held or deemed to be taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the shares and the underlying shares of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2017, the following parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and 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:

### (a) Long position in Shares

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding (%)
Huby Technology Limited	Beneficial Owner	114,000,625	19.31%
Assicurazioni Generali S.p.A	Interest of a controlled corporation	81,405,000	13.79%
Li Zhenfu	Interest of a controlled corporation	81,405,000	13.79%
Lion River I N.V.	Interest of a controlled corporation	81,405,000	13.79%
GL Partners Capital Management Limited	Interest of a controlled corporation	76,165,488	12.90%
FMR LLC	Investment Manager	59,032,391	10.00%
Apta Finance S.A.	Interest of a controlled corporation	56,821,398	9.63%
Cavazza Paolo	Interest of a controlled corporation	56,821,398	9.63%
Paponi Claudia	Family interest	56,821,398	9.63%
GSR Capital Joy Corporation	Beneficial Owner	39,339,935	6.66%
GSR Capital Ltd	Interest of a controlled corporation	39,339,935	6.66%
Wu Sonny	Interest of a controlled corporation	39,339,935	6.66%
High Knowledge Investments Limited	Beneficial Owner ( <i>Note 1</i> )	16,000,000	2.71%
Lue Shuk Ping, Vicky	Interest of a controlled corporation ( <i>Note 1</i> )	16,000,000	2.71%
	Family interest ( <i>Note 2</i> )	41,266,817	6.99%

**(b) Long position in underlying Shares – share options of the Company**

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding (%)
Lue Shuk Ping, Vicky	Family interest ( <i>Note 2</i> )	1,623,000	0.27%

*Notes:*

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

**(c) Short position in Shares**

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.

Saved as disclosed above, as at 30 June 2017, the Directors are not aware of any other person or corporation having an interest or short position in Shares and underlying shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Special enquiries have been made by the Company to confirm that all Directors have been complied with the Model Code for the period ended 30 June 2017.

## **INTERIM DIVIDEND**

The Board of Directors recommended an interim dividend of HK\$0.034 (2016: HK\$0.033) per share to shareholders registered in the Company's Register of Members as at the close of business on Thursday, 14 September 2017.

## **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 2017.

## **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 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Wednesday, 13 September 2017 to Thursday, 14 September 2017 (both days inclusive). In order to establish entitlements to the interim dividend, all transfers accompany by the relevant share certificates must be lodged with Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1726, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 12 September 2017. Interim dividend will be paid on Wednesday, 27 September 2017 to shareholders registered in the Company's Register of Members as at the close of business on Thursday, 14 September 2017.

## 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 2017, 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**

Dr. Marco Maria Brughera

### **Independent non-executive directors**

Dr. Chan Yau Ching, Bob  
Mr. Lam Yat Cheong  
Dr. Tsim Wah Keung, Karl

On behalf of the Board  
**Lee's Pharmaceutical Holdings Limited**  
**Lee Siu Fong**  
*Chairman*

Hong Kong, 24 August 2017

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 the 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 23 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation 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" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 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 Hong Kong Accounting Standard 34.

### **HLM CPA Limited**

*Certified Public Accountants*

### **Ho Pak Tat**

*Practising Certificate Number: P05215*

Hong Kong, 24 August 2017



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the three months and six months ended 30 June 2017*

	<i>Notes</i>	<b>For the three months ended 30 June</b>		<b>For the six months ended 30 June</b>	
		<b>2017</b>	2016	<b>2017</b>	2016
		<b><i>HKS'000</i></b> <b>(unaudited)</b>	<i>HKS'000</i> (unaudited)	<b><i>HKS'000</i></b> <b>(unaudited)</b>	<i>HKS'000</i> (unaudited)
Revenue	(5)	<b>248,550</b>	224,191	<b>474,750</b>	449,729
Cost of sales		<b>(79,063)</b>	(54,851)	<b>(155,793)</b>	(121,978)
Gross profit		<b>169,487</b>	169,340	<b>318,957</b>	327,751
Other income	(6)	<b>(7)</b>	26,633	<b>10,463</b>	35,941
Gain on deemed disposal of a subsidiary	(7)	<b>58,066</b>	–	<b>58,066</b>	–
Impairment of intangible assets		<b>(50,112)</b>	(7,723)	<b>(50,623)</b>	(11,429)
Selling and distribution expenses		<b>(51,694)</b>	(59,014)	<b>(94,416)</b>	(110,443)
Administrative expenses		<b>(40,003)</b>	(33,592)	<b>(81,271)</b>	(68,629)
Research and development expenses		<b>(16,090)</b>	(17,864)	<b>(36,993)</b>	(32,629)
Profit from operations		<b>69,647</b>	77,780	<b>124,183</b>	140,562
Finance costs		<b>(1,265)</b>	(775)	<b>(2,527)</b>	(1,691)
Share of results of associates		<b>(2,777)</b>	(2,210)	<b>(5,441)</b>	(4,780)
Profit before taxation	(8)	<b>65,605</b>	74,795	<b>116,215</b>	134,091
Taxation	(9)	<b>(10,568)</b>	(11,172)	<b>(19,223)</b>	(21,260)
Profit for the period		<b>55,037</b>	63,623	<b>96,992</b>	112,831
Attributable to:					
Owners of the Company		<b>78,690</b>	68,311	<b>125,070</b>	121,418
Non-controlling interests		<b>(23,653)</b>	(4,688)	<b>(28,078)</b>	(8,587)
		<b>55,037</b>	63,623	<b>96,992</b>	112,831
		<b><i>HK cents</i></b>	<i>HK cents</i>	<b><i>HK cents</i></b>	<i>HK cents</i>
Earnings per share					
Basic	(11)	<b>13.33</b>	11.60	<b>21.19</b>	20.65
Diluted	(11)	<b>13.28</b>	11.56	<b>21.12</b>	20.53



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

For the three months and six months ended 30 June 2017

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit for the period	55,037	63,623	96,992	112,831
Other comprehensive income (expense):				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas subsidiaries	24,766	(35,933)	38,020	(12,280)
Fair value changes of available-for-sale financial assets	(14,555)	682	(19,888)	(9,646)
Reclassification of other reserves upon deemed disposal of a subsidiary	(19,576)	–	(19,576)	–
Reclassification of exchange differences upon deemed disposal of a subsidiary	(94)	–	(94)	–
Share of associate's exchange reserve	(64)	–	(64)	–
Other comprehensive expense for the period, net of tax	(9,523)	(35,251)	(1,602)	(21,926)
Total comprehensive income for the period	45,514	28,372	95,390	90,905
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	69,093	33,003	122,590	99,202
Non-controlling interests	(23,579)	(4,631)	(27,200)	(8,297)
	45,514	28,372	95,390	90,905

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	<i>Notes</i>	At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	(12)	492,787	437,092
Intangible assets	(12)	365,120	421,853
Lease premium for land		137,712	134,583
Goodwill		3,900	3,900
Interests in associates	(13)	95,916	46,820
Held-to-maturity financial assets		5,742	5,659
Available-for-sale financial assets		123,400	127,778
		<b>1,224,577</b>	<b>1,177,685</b>
<b>Current Assets</b>			
Lease premium for land		2,941	2,844
Inventories		149,768	134,910
Trade receivables	(14)	79,068	87,069
Other receivables, deposits and prepayments		126,993	106,223
Convertible loan receivables		1,064	–
Amount due from a related party		2,326	–
Advance to associates		24,785	20,524
Tax recoverable		5,858	528
Pledged bank deposits		37,219	26,639
Time deposits		132,855	209,693
Cash and bank balances		327,873	295,282
		<b>890,750</b>	<b>883,712</b>

	<i>Notes</i>	At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
<b>Current Liabilities</b>			
Trade payables	(15)	22,255	42,301
Other payables		215,393	172,340
Obligations under license contract		534	490
Bank borrowings	(16)	111,166	133,578
Obligations under finance leases		476	467
Tax payables		8,245	9,199
		<b>358,069</b>	<b>358,375</b>
<b>Net Current Assets</b>		<b>532,681</b>	<b>525,337</b>
<b>Total Assets less Current Liabilities</b>		<b>1,757,258</b>	<b>1,703,022</b>
<b>Capital and Reserves</b>			
Share capital	(17)	29,516	29,503
Reserves		1,651,634	1,572,223
<b>Equity Attributable to the Owners of the Company</b>			
Non-controlling interests	(18)	(5,214)	32,990
<b>Total Equity</b>		<b>1,675,936</b>	<b>1,634,716</b>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		33,446	25,290
Retirement benefits		47,115	42,015
Obligations under finance leases		761	1,001
		<b>81,322</b>	<b>68,306</b>
		<b>1,757,258</b>	<b>1,703,022</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2017*

	Attributable to the Owners of the Company									Attributable to non-controlling interests	
	Share capital HK\$'000	Share premium HK\$'000	Merger difference HK\$'000	Share-based compensation reserve HK\$'000	Other reserves HK\$'000	Investments revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Attributable to non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2017 (audited)	29,503	721,154	9,200	11,671	59,512	(12,716)	(96,842)	880,244	1,601,726	32,990	1,634,716
Employee share option benefits	-	-	-	2,089	-	-	-	-	2,089	-	2,089
Exercise of share options	13	1,628	-	(301)	-	-	-	-	1,340	-	1,340
Share of share-based compensation reserve of a subsidiary	-	-	-	11	-	-	-	-	11	9	20
Share of reserve of associate	-	-	-	-	29	-	-	-	29	-	29
Deemed disposal of a subsidiary (Note 7)	-	-	-	-	-	-	-	-	-	(12,577)	(12,577)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,564	1,564
Profit (loss) for the period	-	-	-	-	-	-	-	125,070	125,070	(28,078)	96,992
Other comprehensive (expense) income for the period	-	-	-	-	-	-	37,142	-	37,142	878	38,020
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	37,142	-	37,142	878	38,020
- Fair value changes of available-for-sale financial assets	-	-	-	-	-	(19,888)	-	-	(19,888)	-	(19,888)
- Reclassification of other reserves upon deemed disposal of a subsidiary	-	-	-	-	(19,576)	-	-	-	(19,576)	-	(19,576)
- Reclassification of exchange differences upon deemed disposal of a subsidiary	-	-	-	-	-	-	(94)	-	(94)	-	(94)
- Share of associate's exchange reserve	-	-	-	-	(64)	-	-	-	(64)	-	(64)
Total comprehensive (expense) income for the period	-	-	-	-	(19,640)	(19,888)	37,048	125,070	122,590	(27,200)	95,390
2016 final dividend paid	-	-	-	-	-	-	-	(46,635)	(46,635)	-	(46,635)
At 30 June 2017 (unaudited)	29,516	722,782	9,200	13,470	39,901	(32,604)	(59,794)	958,679	1,681,150	(5,214)	1,675,936

## Attributable to the Owners of the Company

	Attributable to the Owners of the Company									Attributable to non-controlling interests	
	Share capital HK\$'000	Share premium HK\$'000	Merger difference HK\$'000	Share-based compensation reserve HK\$'000	Other reserves HK\$'000	Investments revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	HK\$'000	Total HK\$'000
At 1 January 2016 (audited)	29,340	717,925	9,200	8,718	59,344	(899)	(47,540)	691,350	1,467,438	49,390	1,516,828
Employee share option benefits	-	-	-	1,892	-	-	-	-	1,892	-	1,892
Exercise of share options	150	1,709	-	(708)	-	-	-	-	1,151	-	1,151
Share of share-based compensation reserve of a subsidiary	-	-	-	11	-	-	-	-	11	9	20
Share of reserve of associate	-	-	-	-	31	-	-	-	31	-	31
Profit (loss) for the period	-	-	-	-	-	-	-	121,418	121,418	(8,587)	112,831
Other comprehensive (expense) income for the period											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(12,570)	-	(12,570)	290	(12,280)
- Fair value changes of available-for-sale financial assets	-	-	-	-	-	(9,646)	-	-	(9,646)	-	(9,646)
Total comprehensive (expense) income for the period	-	-	-	-	-	(9,646)	(12,570)	121,418	99,202	(8,297)	90,905
2015 final dividend paid	-	-	-	-	-	-	-	(43,645)	(43,645)	-	(43,645)
At 30 June 2016 (unaudited)	29,490	719,634	9,200	9,913	59,375	(10,545)	(60,110)	769,123	1,526,080	41,102	1,567,182

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2017*

	<b>30 June 2017 HK\$'000 (unaudited)</b>	30 June 2016 HK\$'000 (unaudited)
Net cash generated from operating activities	<b>122,621</b>	159,108
Net cash used in investing activities	<b>(91,050)</b>	(143,736)
Net cash used in financing activities	<b>(40,729)</b>	(13,153)
Net (decrease) increase in cash and cash equivalents	<b>(9,158)</b>	2,219
Cash and cash equivalents at 1 January	<b>347,967</b>	337,129
Effect of foreign exchange rate changes	<b>5,375</b>	(14,006)
<b>Cash and cash equivalents at 30 June</b>	<b>344,184</b>	325,342
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	<b>327,873</b>	294,302
Time deposits	<b>132,855</b>	113,966
	<b>460,728</b>	408,268
Less: Time deposits with original maturity more than three months	<b>(116,544)</b>	(82,926)
	<b>344,184</b>	325,342

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“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**”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as appropriate.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2016 except as described below.

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle relating to Amendments to HKFRS 12 Disclosure of Interests in Other Entities

The application of the above amendments to HKASs and HKFRSs in the current interim 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 amendments to HKASs and HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKAS 40	Transfer of Investment Property <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014-2016 Cycle except amendments to HKFRS 12 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

The Group has already commenced an assessment of the impact of these new and amendments to HKASs and HKFRSs but is not yet in a position to state whether these new and amendments to HKASs and HKFRSs would have a material impact on its results of operations and financial position.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates.



#### 4. FINANCIAL RISK MANAGEMENT

##### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The unaudited condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016.

There have been no significant changes in any risk management policies of the Group since the year end.

##### Fair value measurement

The Group is not holding any financial assets and financial liabilities carried at fair value except for certain available-for-sale financial assets and retirement benefits. The different levels of fair value estimation have been defined as follows:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices 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: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 June 2017, HK\$9,523,000 available-for-sale financial assets (31 December 2016: HK\$15,198,000) are stated at fair value, these financial assets were included in level 1 as the assets have been fair valued using quoted prices in an active market.

As at 30 June 2017 and 31 December 2016, the retirement benefits were stated at fair value. The financial liability is included in level 3 as the quantitative information about fair value measurements were using significant unobservable inputs including annualised historical growth rate, credit spread and discount rate. For the six months ended 30 June 2017, loss derived from change in fair value of retirement benefits of HK\$5,100,000 (for the six months ended 30 June 2016: loss HK\$6,000,000) have been recorded in "Administrative expenses" in the condensed consolidated statement of profit or loss.

During the six months ended 30 June 2017, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

During the six months ended 30 June 2017, there were no transfers between levels of fair value estimation of and no change in valuation techniques in financial assets or financial liabilities.

## 5. SEGMENT INFORMATION

Information reported to the Chairman of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of good delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Proprietary products – Manufacturing and sales of self-development pharmaceutical products
- Licensed-in products – Trading of licensed-in pharmaceutical products

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period:

#### Six months ended 30 June

	Proprietary products		Licensed-in products		Consolidated	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Segment revenue	221,625	217,979	253,125	231,750	474,750	449,729
Segment operating results	97,098	99,922	43,788	68,801	140,886	168,723
Impairment of intangible assets	–	(7,387)	(50,623)	(4,042)	(50,623)	(11,429)
Gain on deemed disposal of a subsidiary	–	–	58,066	–	58,066	–
Segment results	97,098	92,535	51,231	64,759	148,329	157,294
Unallocated income					1,931	933
Unallocated expenses					(26,077)	(17,665)
Profit from operations					124,183	140,562
Finance costs					(2,527)	(1,691)
Profit before share of results of associates					121,656	138,871
Share of results of associates					(5,441)	(4,780)
Profit before taxation					116,215	134,091
Taxation					(19,223)	(21,260)
Profit for the period					96,992	112,831

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current interim period (six months ended 30 June 2016: nil).

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments for the period/year:

	Proprietary products		Licensed-in products		Consolidated	
	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Segment assets	291,846	258,895	1,108,463	1,104,866	1,400,309	1,363,761
Unallocated assets					715,018	697,636
Total assets					2,115,327	2,061,397
Segment liabilities	104,689	85,420	245,896	264,757	350,585	350,177
Unallocated liabilities					88,806	76,504
Total liabilities					439,391	426,681

### Geographical information

During the six months ended 30 June 2017 and 2016, more than 90% of the Group's revenue was derived from activities conducted in the People's Republic of China (the "PRC"), no geographical segmental information is presented.

The following is an analysis of the Group's assets and liabilities by geographical market for the period/year:

	The PRC		Hong Kong and others		Total	
	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Segment assets	1,328,757	1,167,680	786,570	893,717	2,115,327	2,061,397
Segment liabilities	176,723	157,941	262,668	268,740	439,391	426,681

## 6. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest income on:				
Bank deposits	716	302	1,530	516
Held-to-maturity financial assets	41	42	83	84
Advance to an associate	201	201	401	417
Total interest income	958	545	2,014	1,017
Sales of research materials	–	–	1,862	–
Development grants	212	2,265	1,369	6,261
Development milestone income	–	–	–	4,501
Compensation on termination of product license	2,815	23,769	2,815	23,769
Exchange loss	(5,961)	–	–	–
Sundry income	1,969	54	2,403	393
	(7)	26,633	10,463	35,941

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

## 7. DEEMED DISPOSAL OF A SUBSIDIARY

On 24 May 2017, CVie Therapeutics Limited (“CVie Taiwan”), a then indirect non-wholly owned subsidiary of the Company which focused on the development of the two cardiovascular assets, namely Rostafuroxin and Istaroxime, entered into the Series A Shares Purchase Agreement with two independent third parties (the “Investors”), pursuant to which the Investors subscribed for 2,750,387 Series A Preferred Shares of CVie Taiwan at the consideration of US\$7.5 million (approximately HK\$58,500,000 equivalent). The transaction was completed in June 2017, and the Group's shareholding in CVie Taiwan was diluted from 56.26% to 49.58% and CVie Taiwan ceased to be a subsidiary and become an associated company of the Group.

Calculation of gain on deemed disposal of a subsidiary:

	<i>HK\$'000</i>
Fair value of investment retained (49.58%)	54,572
Net assets disposed of	(28,753)
Non-controlling interests	12,577
Cumulative exchange reserve in respect of the net assets of CVie Taiwan reclassified from equity to profit or loss on loss of control of CVie Taiwan	94
Cumulative other reserves in respect of the net assets of CVie Taiwan reclassified from equity to profit or loss on loss of control of CVie Taiwan	19,576
	<u>58,066</u>

## 8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting) the following items:

	For the three months ended 30 June		For the six months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Depreciation of property, plant and equipment	11,090	7,803	21,470	15,385
Amortisation of lease premium for land	730	76	1,454	154
Amortisation of intangible assets	3,428	2,488	6,703	5,015
<b>Total depreciation and amortisation</b>	<b>15,248</b>	10,367	<b>29,627</b>	20,554
Provision for (reversal of) allowance for doubtful debts	50	219	(2)	(44)
Interest expenses on borrowings	1,155	692	2,278	1,510
Share-based payments	1,133	1,007	2,109	1,912
– Directors	478	322	796	521
– Employees	655	685	1,313	1,391

## 9. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current tax				
Hong Kong Profits Tax	(1,782)	(9,235)	1,000	36,647
PRC Enterprise Income Tax	6,845	3,645	11,014	8,313
	5,063	(5,590)	12,014	44,960
Over-provision in prior years				
Hong Kong Profits Tax	(4)	–	(4)	–
PRC Enterprise Income Tax	(174)	(64)	(156)	(64)
	(178)	(64)	(160)	(64)
Deferred tax				
Origination and reversal of temporary differences	5,683	16,826	7,369	(23,636)
	10,568	11,172	19,223	21,260

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.

## 10. DIVIDENDS

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interim dividend declared – HK\$0.034 (2016: HK\$0.033) per ordinary share based on issued share capital at the end of the reporting period	20,071	19,463	20,071	19,463

Interim dividend will be payable on 27 September 2017 to shareholders registered in the Company's Register of Members as at the close of business on 14 September 2017. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position. 2016 final dividend of HK\$0.079 per share, totalling HK\$46,635,000 was paid on 15 June 2017.

## 11. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<i>Earnings:</i>				
Net profit attributable to the owners of the Company for the purpose of basic and diluted earnings per share	<b>78,690</b>	68,311	<b>125,070</b>	121,418

	For the three months ended 30 June		For the six months ended 30 June	
	2017 Share(s) '000 (unaudited)	2016 Share(s) '000 (unaudited)	2017 Share(s) '000 (unaudited)	2016 Share(s) '000 (unaudited)
<i>Number of shares:</i>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>590,278</b>	589,103	<b>590,186</b>	587,993
Effect of dilutive potential ordinary shares:				
Options	<b>2,236</b>	2,069	<b>2,094</b>	3,442
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>592,514</b>	591,172	<b>592,280</b>	591,435

## 12. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2017, additions to property, plant and equipment amount to HK\$63 million (six months ended 30 June 2016: HK\$70 million).

During the six months ended 30 June 2017, additions to intangible assets amount to HK\$41 million (six months ended 30 June 2016: HK\$51 million), which consist of both license fee and development cost.

### 13. INTERESTS IN ASSOCIATES

Details of the Group's interests in associates are as follows:

	<b>At 30 June 2017 HK\$'000 (unaudited)</b>	<b>At 31 December 2016 HK\$'000 (audited)</b>
Cost of investment, unlisted, net of dividend received	<b>145,780</b>	91,208
Share of post-acquisition loss	<b>(49,997)</b>	(44,556)
Share of reserves of associates	<b>133</b>	168
	<b>95,916</b>	<b>46,820</b>

Details of the Group's associates at the end of the reporting period/year are as follows:

Name of associate	Place of incorporation/ operations	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		30 June 2017	31 December 2016	30 June 2017	31 December 2016	
CVie Therapeutics Limited	Taiwan/Taiwan	49.58%	56.26%*	49.58%	56.26%*	Development of pharmaceutical products
Powder Pharmaceuticals Incorporated ("PPI")	British Virgin Islands/ Hong Kong	33.92%	33.92%	33.92%	33.92%	Manufacture and sale of pharmaceutical products
Powder Pharmaceuticals (HK) Co. Limited	Hong Kong/ Hong Kong	33.92%	33.92%	33.92%	33.92%	Not yet commence business
RIT Biotech (Holding) Company Limited	British Virgin Islands/ Hong Kong	33.33%	33.33%	33.33%	33.33%	Operate a central pharmacy for compounding radiopharmaceuticals
RIT Biotech Company Limited	Hong Kong/ Hong Kong	33.33%	33.33%	33.33%	33.33%	Operate a central pharmacy for compounding radiopharmaceuticals

\* CVie Therapeutics Limited ceased to be an indirect non-wholly owned subsidiary of the Group since June 2017. Details please refer to note 7 to the unaudited condensed consolidated financial statements.



#### 14. TRADE RECEIVABLES

The Group allows an average credit period of 30 – 120 days to its trade customers. The fair value of the Group's trade receivables at 30 June 2017 approximates to the corresponding carrying amount.

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the revenue recognition dates, and net of allowance for bad and doubtful debts at the end of the reporting period:

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
0 – 30 days	41,607	47,314
31 – 120 days	36,391	38,368
121 – 180 days	477	1,073
181 – 365 days	549	225
Over 365 days and under 3 years	44	89
	<b>79,068</b>	<b>87,069</b>

#### 15. TRADE PAYABLES

The average credit period on purchases of certain goods is 90 days. The fair value of the Group's trade payables as at 30 June 2017 approximates to the corresponding carrying amount.

The following is an analysis of trade payables by age, presented based on due date, at the end of the reporting period:

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
0 – 90 days	22,200	36,631
91 – 180 days	–	–
181 – 365 days	–	5,618
Over 365 days	55	52
	<b>22,255</b>	<b>42,301</b>

## 16. BANK BORROWINGS

	At 30 June 2017 <i>HK\$'000</i> (unaudited)	At 31 December 2016 <i>HK\$'000</i> (audited)
Carrying amount of the borrowings are repayable:		
Within one year	71,032	78,053
More than one year but not exceeding two years	22,221	27,331
More than two year but not exceeding five years	17,913	28,194
	<b>111,166</b>	133,578

The carrying amounts of bank borrowings are denominated in Hong Kong dollars, Renminbi and Euro.

The effective interest rates of the bank borrowings range from 1.62% to 4.79% (31 December 2016: 2.00% to 4.79%) per annum.

## 17. SHARE CAPITAL

	Number of shares		Share Capital	
	At 30 June 2017 (unaudited)	At 31 December 2016 (audited)	At 30 June 2017 (unaudited) <i>HK\$'000</i>	At 31 December 2016 (audited) <i>HK\$'000</i>
<i>Authorised:</i>				
Ordinary shares of HK\$0.05 each	1,000,000,000	1,000,000,000	50,000	50,000
<i>Issued and fully paid:</i>				
At beginning of the period/year	590,051,343	586,795,343	29,503	29,340
Exercise of share options	272,000	3,256,000	13	163
At end of the period/year	<b>590,323,343</b>	590,051,343	<b>29,516</b>	29,503

## 18. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries <i>HK\$'000</i>	Share-based compensation reserve of subsidiaries <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017 (audited)	32,923	67	32,990
Capital contribution from non-controlling interests	1,564	–	1,564
Deemed disposal of a subsidiary (Note 7)	(12,577)	–	(12,577)
Share of loss for the period	(28,078)	–	(28,078)
Share of other comprehensive income for the period	878	–	878
Share of employee share options benefit	–	9	9
<b>At 30 June 2017 (unaudited)</b>	<b>(5,290)</b>	<b>76</b>	<b>(5,214)</b>
At 1 January 2016 (audited)	49,340	50	49,390
Capital contribution from non-controlling interests	2,931	–	2,931
Share of loss for the year	(19,596)	–	(19,596)
Share of other comprehensive income for the year	248	–	248
Share of employee share options benefit	–	17	17
<b>At 31 December 2016 (audited)</b>	<b>32,923</b>	<b>67</b>	<b>32,990</b>

The non-controlling interests represent nil (31 December 2016: 43.74%), 43.74% (31 December 2016: 43.74%) and 35% (31 December 2016: 35%) equity interests held by third parties in CVie Taiwan, CVie Therapeutics Company Limited and China Oncology Focus Limited respectively.

Non-controlling interests in CVie Taiwan was deemed disposed of in the reporting period. Details please refer to note 7 to the unaudited condensed consolidated financial statements.

## 19. RELATED PARTY TRANSACTIONS

During the reporting 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) Interest income from shareholder loans to PPI

During the six months ended 30 June 2017, the Group received approximate HK\$401,000 (six months ended 30 June 2016: HK\$417,000) interest income from loans to PPI, an associated company of the Group.

### (b) Compensation of key management personnel

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term employee benefits	17,673	9,301
Share-based payments	796	521
Retirement and other post-employment benefits	5,127	6,027
– Defined contribution plan	27	27
– Retirement benefits	5,100	6,000
	<b>23,596</b>	15,849

### (c) Issue of subsidiary's shares to Perfect Concept Holdings Limited ("Perfect Concept")

During the period under review, China Oncology Focus Limited ("COF"), on a pro rata basis, issued 2,800 shares to 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\$201,600 (approximately HK\$1,563,000).

### (d) Donation to Lee's Pharmaceutical – Kanya Lee Scholarship Limited ("Kanya Lee Scholarship")

During the six months ended 30 June 2017, total HK\$200,000 (six months ended 30 June 2016: HK\$200,000) was donated to Lee's Pharmaceutical – Kanya Lee Scholarship Limited ("Kanya Lee Scholarship"). Dr. Li Xiaoyi, director of the Company, is also a member of key management of Kanya Lee Scholarship and Kanya Lee Scholarship is considered as a related party to the Group.

## 20. CAPITAL COMMITMENTS

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Capital commitments contracted for in respect of:		
Investment in available-for-sale financial assets	<b>16,864</b>	15,760
Intangible assets – license fee and development cost	<b>69,124</b>	89,763
Property, plant and equipment	<b>23,229</b>	23,370
Construction contracts	<b>34,756</b>	41,649
	<b>143,973</b>	170,542
Authorised but not contracted for:		
Intangible assets – license fee and development cost	<b>43,060</b>	21,890

## 21. PLEDGE OF ASSETS

At 30 June 2017, the Group has pledged bank deposits of HK\$37,219,000 to secure general banking facilities granted to an associate of the Group (31 December 2016: pledged bank deposits of HK\$26,639,000 to secure general banking facilities granted to the Group and service provided by supplier).

The Group's obligations under finance leases is secured by the lessor's title to the motor vehicles, which have an aggregate carrying amount of HK\$1,763,000 as at 30 June 2017 (31 December 2016: HK\$1,874,000).