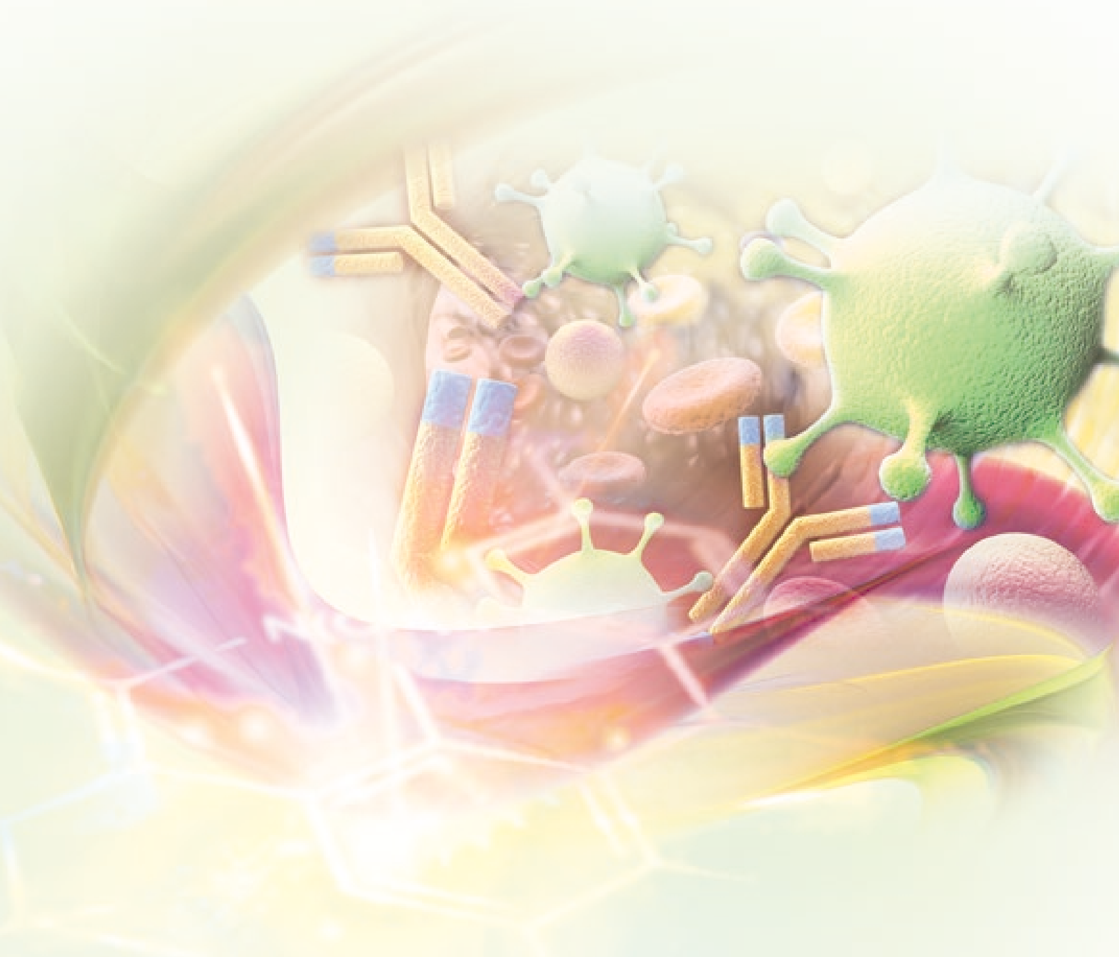
LEE'S PHARM.
李 氏 大 藥 廠

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)



Interim Report 2018

* For identification purpose only

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 2018, together with the comparative figures for the corresponding period in 2017. 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 stayed on the course of revenue growth in the double digit realm for the fifth consecutive quarters with major products continued to achieve volume growth. The increase in revenue, coupled with continual efforts to monitor and control selling and distribution expenses and administrative expenses, has resulted in a significant increase in operation profits during the period under review. The healthy cash flow generated from operations allows the Group to pour much more resources into research and development ("**R&D**") of new drugs during the period, taking the advantage of the most favourable regulatory environment for drug development in China that one has seen in recent years.

The Group has recorded revenue of HK$567,723,000 during the first half of 2018, increased by 19.6% over the same period last year. Revenue for the second quarter of this year was HK$285,818,000, increased by 15.0% over the same quarter last year. Sales of Remodulin®, Ferplex® and Zanidip® continued to be the key drivers of the revenue growth of licensed-in products which surged 31.5%, 23.0% and 46.4%, respectively, during the second quarter of 2018. Stagnated revenue growth of Carnitene® has been improving and a mild growth of 3.3% has been recorded during the second quarter of 2018. Sales of major proprietary products remained strong with revenues of Eyprotor®, Yallaferon®, Slounase® and Livaracine® in the second quarter increased by 85.5%, 31.3%, 5.9% and 9.6%, over the same quarter last year.

Sales of licensed-in products accounted for 53.0% (For the six months ended 30 June 2017: 53.3%) of the Group's revenue while sales of proprietary products contributed 47.0% (For the six months ended 30 June 2017: 46.7%) of the Group's revenue.

During the first half of 2018, the Group's gross profit increased by HK$59,276,000 or 18.6%. The Group's gross profit for the second quarter of this year increased by HK$16,192,000 or 9.6%. The Group's gross profit margin for the second quarter of this year was 65.0%, decreased 3.3 percentage points as compared to 68.3% achieved during the first quarter of this year. The Group's gross profit margin for the six months ended 30 June 2018 was 66.6%, slightly decreased by 0.6 percentage point as compared to the same period last year.

The Group maintained a healthy selling expense to revenue ratio of 18.0% for the first half of 2018, which continued the downward trends of last several quarters. During the first half of 2018, the Group had made concerted efforts to restructure and rejuvenate its direct sales team. New management team has been brought in and new system has been implemented with the aim to enhance effectiveness of sales performance. The streamlining of direct sales team has started to translate into better performance, evidenced by an increase of approximately 30% as compared to the same period last year. The share of total revenue by direct sales also increased 2 percentage points to approximately 20.6%.

The improvement in operation efficiency propelled a 30.5% jump in operation profits when compared to the first half of last year. The cash flow generated from operations has been redeployed to support the Group's investment in new drugs development.

During the first half of 2018, the Group's investment in R&D expenses has reached an all-time high of HK$63,846,000, increased 72.6% as compared to the same period last year, and represented 11.2% of revenue during the six months ended 30 June 2018. In addition, the savings from selling expenses also supported the mildly increased administrative expenses in the quarter for its business expansion. As a result, net profit attributable to the owners of the Company for the first six months of 2018 was HK$125,771,000, increased by 0.6% as compared to the same period last year despite gross profit margin erosion.

Further to the obtainment of manufacturing license of topical formulation in April 2018, Zhaoke (Guangzhou) Ophthalmology Pharmaceutical Limited expanded its manufacturing license to multi-dose eye drops in July 2018. Clinical batch of Levobetaxolol has since been successfully produced and delivered for study in July 2018. The mono-dose production line utilised blow-fill-seal technology is expected to be licensed by end of September 2018. Clinical and registration batches of various products will be made subsequently to accelerate the development. Meanwhile, Zhaoke Pharmaceutical (Hefei) Company Limited, the Group's aseptic facility has undergone successful renovation and expansion. New high speed filling line and additional lyophiliser have been installed which doubled the production capacity. These investments are important for the Group to providing products of the highest quality standard and facilitating the development of its core competence.

Aided by a favourable regulatory environment, the Group has experienced a most exciting and prolific period in drug development.

With respect to New Drug Application ("**NDA**"), one of the Group's licensing products has obtained the approval from the China National Drug Administration (the "**CNDA**") recently. In July 2018, Sancuso® (Granisetron Transdermal System), which the Group obtained its exclusive license rights for commercialisation and promotion in China (excluding Beijing, Shanghai and Guangzhou), has been approved for launch by the CNDA. Sancuso® is the world's first and only transdermal patch of the 5-HT3 receptor antagonist used for the prevention of nausea and vomiting in patients receiving moderately or highly emetogenic chemotherapy regimens. The launch of Sancuso® will further enhance the Group's position in the oncology space.

To date, the Group has submitted 4 applications for import drug license ("**IDL**"), namely Trazodone, Prulifloxacin, INOMax and Sodium Phenylbutyrate. Approvals for Trazodone and Prulifloxacin are expected to be received in the first quarter of 2019. In addition, the clinical study on Natulan and the bioequivalence study for Azilsartan have been completed and IDL submissions are expected by end of 2018.

Following the approval of the registration enabling global Phase III clinical trial for advanced liver cancer using its oncolytic immunotherapy called Pexa-Vec (formerly JX-594), the PHOCUS study, by the CNDA (Approval No. 2017L04441), the preparation work has been completed. This clinical study will globally enroll 600 patients (300 from China, 300 from the rest of the world) and over 300 of the patients from the rest of the world have been enrolled to date. The study in China is led by world-renowned oncologist Professor Qin Shukui and the trials will take place at 24 major cancer centers around China. The first patient China patient is expected to be enrolled by end of August 2018.

In July 2018, the first patient has been enrolled in a registration enabling Phase III study of the Group's in-house product, Adapalene and Clindamycin combination gel for acne. The study is led by Professor Gu Heng from the Hospital for Skin Diseases, Chinese Academy of Medical Sciences and involved 30 most important dermatology centers in China. The targeted enrollment is 1,650 patients and the study is expected to be completed by end of 2019. The study is one of the biggest studies ever conducted by acne in China, and for the first time involves pediatric patients.

In addition, the registration enabling study for Levobetaxolol will start enrollment in September 2018 and is expected to be completed in the first half of 2019.

The development of the two cardiovascular assets, namely Rostafuroxin and Istaroxime, under CVie Therapeutics Limited ("**CVie TW**"), an associate of the Group, has made significant progress during the period under review.

Phase IIb clinical study (Protocol No. CVTCV-001) in Taiwan for Rostafuroxin capsule 50ug, 500ug with antihypertensive effect has been completed and the analytics work to the data is currently in progress.

Istaroxime is a first-in-class luso-inotropic agent for the treatment of acute decompensated heart failure. Its Phase IIb clinical study in Italy (24 patients) and China (96 patients) has been completed and the analytics work to the data is currently in progress. The topline results are expected by end of September 2018.

The Phase IIb study for Anfibatide has been completed and the analytics work to the data is currently in progress.

In May 2018, the first patient has been enrolled in a Phase II study of the Group's in-house product, Cyclosporine A Eye Gel for the treatment of dry eye syndrome (the "**DES**") in China. This trial designed as a Phase II multi-center, randomised, single-blind, positive controlled and dose finding exploratory clinical trial to evaluate efficacy and safety of Cyclosporine A Eye Gel in treating patients with moderate to severe DES and to explore the optimal dose and frequency of Cyclosporine A Eye Gel in those patients. This trial is led by Professor Zhou Shiyou from Zhongshan Ophthalmic Centre, Sun Yat-sen University. The study plans to enroll a total of 240 patients assigned to four cohorts. The primary outcome measures of the change of eye dryness score from the baseline after the 12 weeks treatment in each cohort. The study is expected to last for one year.

Following the approval to proceed with the clinical trials for ZKAB001, an anti PD-L1 monoclonal antibody, in January 2018. The Group has decided to conduct the clinical trials in three separate cancer indications, namely cervical cancer, sarcoma and bladder cancer. The trials will be anticipated to use a 3+3 design with 5mg/kg, 10mg/kg and 15mg/kg dosing regimens. Once the Maximum Tolerated Dose ("**MTD**") has been established, addition patients are expected to be recruited in an expanded Phase I protocol. Clinical data from these studies is expected to be available by the end of 2019, and positive results could lead to conditional approval of the antibody prior to a confirmatory Phase III study.

The Group submitted three Investigational New Drugs ("**IND**") to the CNDA for Gimatecan, TG02 and Tecarfarin in 2017 and have been approved during the quarter under review.

On 7 May 2018, the CNDA approved the clinical trials for Gimatecan, a novel oral lipophilic camptothecin for ovarian cancer and small lung cancer. The trials will be anticipated to use a 3+3 design with 0.4mg/kg, 0.6mg/kg and 0.8mg/kg dosing regimens to determine the MTD in Chinese population. Clinical data from these studies is expected to be available by the end of 2019, and positive results could lead to the following extensive Phase III clinical trial in China.

On 25 May 2018, the CNDA approved the clinical trials for TG02, a novel oral pyrimidine-based multi-kinase inhibitor. The coming phase I clinical trial in China will be a 3+3 design with the starting dose of 200 mg regimens to determine the Maximum Tolerated Dose ("**MTD**") in Chinese Glioblastoma ("**GBM**") patients. Clinical data from this study could be available by the end of the year 2019, and the positive results could lead to the following phase II and III clinical trial in China.

On 14 June 2018, the CNDA approved the clinical trials for Tecarfarin, a novel Vitamin K Antagonist for use as an anticoagulant for patients with mechanical heart valves. An open-label, Phase I, sequential cohort, single-dose escalation study will be initiated by the end of 2018 to access the safety and tolerability of Tecarfarin in healthy Chinese volunteers. Following the Phase I study in China, the Group will initiate a Phase III registration enabling study. Moreover, the Group has successfully completed the technology transfer for drug substance and product in China, and Tecarfarin will be manufactured in the Group's manufacturing site in Nansha.

The Group has also achieved another milestone in the field of medical device development. On 30 May 2018, the CNDA, for the first time in the last 25 years, approved the Group to conduct R&D on Staccato® Fentanyl for Inhalation in China for treatment of cancer breakthrough pain. Staccato® Fentanyl for Inhalation is a combination drug-device delivery product designed for rapid, systemic delivery of aerosolised fentanyl via the lung.

The Group has also made progress in corporate development recently. In May 2018, the Stock Exchange of Hong Kong Limited has introduced a new Chapter 18A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") to allow the listing of biotech companies that do not meet the financial eligibility tests. This creates an additional option to raise money for the development of the Group's pipeline assets. In order to better capture such an opportunity for the Group's oncology pipeline, and to improve the operating efficiency to manage the assets thereof, in July 2018, the Group has restructured all its oncology pipeline products into China Oncology Focus Limited ("**COFL**"), a 65% owned subsidiary of the Group. With all oncology pipeline products aligned, the Group will seek additional funds for investing in clinical development and building teams.

With nearly 60 projects in the pipeline, the Group has placed top priority on the near term projects to establish a more solid foundation for future growth.

PROSPECTS

In view of the official data points to a steady GDP growth of 6.8% in China for the first half of 2018, the Group is cautiously optimistic to keep the sales growth momentum going in the coming quarter.

Persistent changes and challenges will continue to be in place. The protectionist trade measures imposed by the US Government has already created global currency uncertainties. Recent vaccine scandal in China has also led to extensive changes to the senior officers of the CNDA, which in turn a more price-sensitive environment and demanding rules and regulations are expected to follow. Potential raw material inflation and selling pressure will remain the headwind in the coming quarters. Nevertheless, the Group is confident that it has turned the corner with a bright future ahead. The reinvention and rejuvenation of the Group's direct sales force creates new momentum in sales that is expected to accelerate during second half of 2018 and beyond. The imminent launch of two major products, namely Sancuso® and Rasilez® respectively generate a great deal of excitement with potentially another six products to be launched in 12-month span, the development of the Group could be transformative in the near future.

The Group firmly believe its solid foundation in R&D and global vision shall enhance its competitive edge and sustainability, and to enhance shareholders' value and to provide the best return for the shareholders.

FINANCIAL REVIEW

Gross Profit Margin

The Group recorded a gross profit of HK$378,233,000 for the six months ended 30 June 2018, increased by 18.6% as compared to the corresponding period of HK$318,957,000. Gross profit margin was 66.6% during the period under review, slightly decreased by 0.6 percentage points as compared to 67.2% 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 2018 was 18.0%, represented a remarkable improvement of 1.9 percentage points compared with 19.9% 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$63,846,000, increased by 72.6% as compared with HK$36,993,000 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 2018 was HK$80,002,000, decreased by 1.6% as compared with HK$81,271,000 in the same period last year, which was due to the exchange gain for the period as compared to the exchange loss for the corresponding period of last year.

Other Payables

Other payable balance as at 30 June 2018 amounted to HK$445,491,000 (as at 31 December 2017: HK$281,150,000). 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 2018, the Group's current ratio (current assets divided by current liabilities) was 1.68 (31 December 2017: 2.03). As at 30 June 2018, the Group had net cash position of HK$420,135,000 (31 December 2017: net cash of HK$378,317,000) which represented cash and bank balances of HK$312,836,000 (31 December 2017: HK$273,990,000), pledged bank deposits of HK$46,524,000 (31 December 2017: HK$27,915,000), time deposits of HK$215,019,000 (31 December 2017: HK$175,416,000), and short term bank borrowings of HK$154,244,000 (31 December 2017: HK$99,004,000). 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 2018 (31 December 2017: 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 2018, the Group has pledged bank deposits of HK$46,524,000 to secure general banking facilities granted to an associate of the Group (31 December 2017: pledged bank deposits of HK$27,915,000 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$1,540,000 as at 30 June 2018 (31 December 2017: HK$1,652,000).

Employee Information

As at 30 June 2018, the Group had 976 employees working in Hong Kong and mainland China (31 December 2017: 963 employees working in Hong Kong 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$112.4 million (For the six months ended 30 June 2017: HK$101.5 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 01.01.2018	Granted	During the period Exercised	Lapsed	Outstanding at 30.06.2018	Exercise period	Exercise price per share
Category I: Directors							
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
13.04.2018	–	1,368,000	–	–	1,368,000	13.10.2018-12.04.2028	HK$11.216
Category II: Employees							
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	4,136,000	–	(636,000)	–	3,500,000	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	–	(150,000)	–	1,874,000	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
03.10.2017	1,250,000	–	–	–	1,250,000	03.10.2018-02.10.2027	HK$6.190
Total	15,345,000	1,368,000	(1,086,000)	–	15,627,000		
Exercisable at the end of the period					12,124,000		
Weighted average exercise price	HK$6.865	HK$11.216	HK$4.970	–	HK$7.378		

The weighted average share price on which the options were exercised is HK$12.594.

Particulars of share options:

Date of grant	Exercise period		Exercise price per share *HK$*
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 (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	10.340
31.03.2015	(i) 669,000 options will be exercisable during the period from 30.09.2015 – 30.03.2025 (ii) 669,000 options will be exercisable during the period from 30.06.2016 – 30.03.2025	11.200
31.03.2016	(i) 880,500 options will be exercisable during the period from 30.09.2016 – 30.03.2026 (ii) 880,500 options will be exercisable during the period from 30.06.2017 – 30.03.2026	5.754
13.04.2017	(i) 885,000 options will be exercisable during the period from 13.10.2017 – 12.04.2027 (ii) 885,000 options will be exercisable during the period from 13.07.2018 – 12.04.2027	7.548
03.10.2017	(i) 250,000 options will be exercisable during the period from 02.10.2018 – 02.10.2027 (ii) 250,000 options will be exercisable during the period from 02.10.2019 – 02.10.2027 (iii) 250,000 options will be exercisable during the period from 02.10.2020 – 02.10.2027 (iv) 500,000 options will be exercisable during the period from 02.10.2021 – 02.10.2027	6.190
13.04.2018	(i) 684,000 options will be exercisable during the period from 13.10.2018 – 12.04.2028 (ii) 684,000 options will be exercisable during the period from 13.07.2019 – 12.04.2028	11.216

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 2018 were as follows:

		Number of share options				
Grantees	Date of Grant	Outstanding at 1.1.2018	Granted	Exercised	Lapsed	Outstanding at 30.06.2018
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
Total		440,000	–	–	–	440,000

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 2018 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 2018, 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	Total	Approximate percentage of shareholding *(%)*
Lee Siu Fong	Beneficial Owner	4,301,375		
	Interest held jointly with Leelalertsuphakun Wanee	1,600,000		
	Interest of a controlled corporation *(Note 1)*	114,000,625	119,902,000	20.3%
Leelalertsuphakun Wanee	Beneficial Owner	6,195,000		
	Interest held jointly with Lee Siu Fong	1,600,000		
	Interest of a controlled corporation *(Note 1)*	114,000,625	121,795,625	20.6%
Li Xiaoyi	Beneficial owner	41,718,266		
	Family interest *(Note 2)*	16,000,000		
	Others	2,074,442	59,792,708	10.10%
Chan Yau Ching, Bob	Beneficial owner	520,000		0.09%
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 as at 1 January 2018	Granted during the period	Exercised during the period	Balance as at 30 June 2018	Exercise price per share *HK$*
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
	13 April 2018	(5)	–	456,000	–	456,000	11.216
			2,161,000	456,000	–	2,617,000	
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
	13 April 2018	(5)	–	456,000	–	456,000	11.216
			1,961,000	456,000	–	2,417,000	
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
	13 April 2018	(5)	–	456,000	–	456,000	11.216
			1,623,000	456,000	–	2,079,000	

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.

(5) Divided into 2 tranches exercisable from 13 October 2018 and 13 July 2019 respectively to 12 April 2028.

(c) As at 30 June 2018, 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 2018, 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	19.26%
Assicurazioni Generali S.p.A	Interest of a controlled corporation	81,405,000	13.75%
Li Zhenfu	Interest of a controlled corporation	81,405,000	13.75%
Lion River I N.V.	Interest of a controlled corporation	81,405,000	13.75%
GL Partners Capital Management Limited	Interest of a controlled corporation	76,165,488	12.87%
FMR LLC	Investment Manager	47,268,236	7.98%
Apta Finance S.A.	Interest of a controlled corporation	56,821,398	9.60%
Cavazza Paolo	Interest of a controlled corporation	56,821,398	9.60%
Paponi Claudia	Family interest	56,821,398	9.60%
GSR Capital Joy Corporation	Beneficial Owner	37,339,935	6.31%
GSR Capital Ltd	Interest of a controlled corporation	37,339,935	6.31%
Wu Sonny	Interest of a controlled corporation	37,339,935	6.31%
High Knowledge Investments Limited	Beneficial Owner *(Note 1)*	16,000,000	2.70%
Lue Shuk Ping, Vicky	Interest of a controlled corporation *(Note 1)*	16,000,000	2.70%
	Family interest *(Note 2)*	43,792,708	7.40%

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 are owned by Ms. Lue Shuk Ping, Vicky's spouse, Dr. Li Xiaoyi.

(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 *(Note 1)*	2,079,000	0.35%

Note:

(1) These share options and conversion right 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 2018, 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 2018.

INTERIM DIVIDEND

The Board of Directors recommended an interim dividend of HK$0.034 (2017: HK$0.034) per share to shareholders registered in the Company's Register of Members as at the close of business on Friday, 14 September 2018.

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 2018.

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 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 13 September 2018 to Friday, 14 September 2018 (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, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 12 September 2018. Interim dividend will be paid on Thursday, 27 September 2018 to shareholders registered in the Company's Register of Members as at the close of business on Friday, 14 September 2018.

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 2018, with deviations from provision A.5 of the Code. Under provision A.5 of the Code, a nomination committee should be established to make recommendations to the Board on the appointment and reappointment of directors. The Board as a whole is responsible for the appointment of its own members. The Board does not establish a Nomination Committee and is not considering to establish the same in view of the small size of the Board. The Chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration. The Board will review profiles of the candidates recommended by the Chairman and make recommendation the appointment, re-election and retirement of the directors. Candidates are appointed to the Board on the basis of their skill, competence, experience and diversity of perspectives that they can contribute to the Company.

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

Executive directors
Ms. Lee Siu Fong *(Chairman)*
Ms. Leelalertsuphakun Wanee
Dr. Li Xiaoyi

Non-executive director
Mr. Simon Miles Ball

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, 30 August 2018

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 24 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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, based on our review, on these condensed consolidated financial statements solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do no 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 enquiries, 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

Chan Lap Chi
Practising Certificate Number: P04084
Hong Kong, 30 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2018

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	**2018**	2017
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	(5)	**285,818**	248,550	**567,723**	474,750
Cost of sales		**(100,139)**	(79,063)	**(189,490)**	(155,793)
Gross profit		**185,679**	169,487	**378,233**	318,957
Other income	(6)	**(2,809)**	(7)	**29,841**	10,463
Gain on deemed disposal of a subsidiary		**–**	58,066	**–**	58,066
Impairment of intangible assets		**–**	(50,112)	**–**	(50,623)
Selling and distribution expenses		**(39,570)**	(51,694)	**(102,167)**	(94,416)
Administrative expenses		**(35,929)**	(40,003)	**(80,002)**	(81,271)
Research and development expenses		**(32,397)**	(16,090)	**(63,846)**	(36,993)
Profit from operations		**74,974**	69,647	**162,059**	124,183
Finance costs		**(1,295)**	(1,265)	**(1,950)**	(2,527)
Share of results of associates		**(3,420)**	(2,777)	**(7,885)**	(5,441)
Profit before taxation	(7)	**70,259**	65,605	**152,224**	116,215
Taxation	(8)	**(15,791)**	(10,568)	**(34,575)**	(19,223)
Profit for the period		**54,468**	55,037	**117,649**	96,992
Attributable to:					
Owners of the Company		**55,593**	78,690	**125,771**	125,070
Non-controlling interests		**(1,125)**	(23,653)	**(8,122)**	(28,078)
		54,468	55,037	**117,649**	96,992
		HK cents	*HK cents*	***HK cents***	*HK cents*
Earnings per share					
Basic	(10)	**9.39**	13.33	**21.26**	21.19
Diluted	(10)	**9.32**	13.28	**21.09**	21.12

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2018

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period	**54,468**	55,037	**117,649**	96,992
Other comprehensive income (expense):				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas subsidiaries	**(48,520)**	24,766	**(24,375)**	38,020
Fair value changes of available-for-sale financial assets	–	(14,555)	–	(19,888)
Reclassification of other reserves upon deemed disposal of a subsidiary	–	(19,576)	–	(19,576)
Reclassification of exchange reserve upon deemed disposal of a subsidiary	–	(94)	–	(94)
Share of associate's exchange reserve	**(2,461)**	(64)	**(1,106)**	(64)
Items that will not be reclassified subsequently to profit or loss:				
Fair value changes of financial assets at fair value through other comprehensive income	**14,986**	–	**3,497**	–
Other comprehensive expense for the period, net of tax	**(35,995)**	(9,523)	**(21,984)**	(1,602)
Total comprehensive income for the period	**18,473**	45,514	**95,665**	95,390
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	**17,229**	69,093	**101,434**	122,590
Non-controlling interests	**1,244**	(23,579)	**(5,769)**	(27,200)
	18,473	45,514	**95,665**	95,390

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment	(11)	**576,780**	565,662
Intangible assets	(11)	**523,377**	448,638
Lease premium for land		**138,637**	142,520
Goodwill		**3,900**	3,900
Interests in associates	(12)	**78,400**	87,363
Deposit paid for a life insurance policy		**5,913**	–
Available-for-sale financial assets		**–**	203,123
Financial asset at fair value through other comprehensive income		**226,781**	–
		1,553,788	1,451,206
Current Assets			
Lease premium for land		**3,026**	3,077
Inventories		**150,619**	160,637
Trade receivables	(13)	**141,127**	85,801
Other receivables, deposits and prepayments		**133,665**	101,320
Loan receivables		**19,385**	–
Convertible instruments		**6,889**	3,165
Advance to associates		**45,479**	24,639
Tax recoverable		**11,434**	11,532
Held-to maturity financial assets		**–**	5,826
Pledged bank deposits		**46,524**	27,915
Time deposits		**215,019**	175,416
Cash and bank balances		**312,836**	273,990
		1,086,003	873,318

	Notes	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Current Liabilities			
Trade payables	(14)	**27,498**	26,148
Other payables		**445,491**	281,150
Obligations under license contract		**4,427**	4,441
Bank borrowings	(15)	**154,244**	99,004
Obligations under finance leases		**494**	485
Tax payables		**14,555**	19,857
		646,709	431,085
Net Current Assets		**439,294**	442,233
Total Assets less Current Liabilities		**1,993,082**	1,893,439
Capital and Reserves			
Share capital	(16)	**29,601**	29,547
Reserves		**1,866,743**	1,774,799
Equity Attributable to the Owners of the Company		**1,896,344**	1,804,346
Non-controlling interests	(17)	**(15,244)**	(7,414)
Total Equity		**1,881,100**	1,796,932
Non-current Liabilities			
Deferred tax liabilities		**49,205**	39,981
Retirement benefits		**62,510**	56,010
Obligations under finance leases		**267**	516
		111,982	96,507
		1,993,082	1,893,439

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to the Owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Merger difference *HK$'000*	Share-based compensation reserve *HK$'000*	Other reserves *HK$'000*	Investments revaluation reserve *HK$'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 2018 (audited)	29,547	724,868	9,200	15,368	41,407	(30,421)	(31,809)	1,046,186	1,804,346	(7,414)	1,796,932
Employee share option benefits	–	–	–	2,404	–	–	–	–	2,404	–	2,404
Exercise of share options	54	6,903	–	(1,582)	–	–	–	–	5,375	–	5,375
Share of share-based compensation reserve of a subsidiary	–	–	–	11	–	–	–	–	11	9	20
Share of reserve of an associate	–	–	–	–	28	–	–	–	28	–	28
Share options lapsed in associate	–	–	–	–	(3)	–	–	3	–	–	–
Partial disposal of a subsidiary *(Note 18)*	–	–	–	–	24,185	–	–	–	24,185	(4,024)	20,161
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	1,954	1,954
Profit (loss) for the period	–	–	–	–	–	–	–	125,771	125,771	(8,122)	117,649
Other comprehensive (expense) income for the period											
– Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	(24,398)	–	(24,398)	23	(24,375)
– Share of associate's exchange reserve	–	–	–	–	(1,106)	–	–	–	(1,106)	–	(1,106)
– Fair value changes of financial assets at fair value through other comprehensive income	–	–	–	–	–	1,167	–	–	1,167	2,330	3,497
Total comprehensive (expense) income for the period	–	–	–	–	(1,106)	1,167	(24,398)	125,771	101,434	(5,769)	95,665
2017 final dividend paid	–	–	–	–	–	–	–	(41,439)	(41,439)	–	(41,439)
At 30 June 2018 (unaudited)	29,601	731,771	9,200	16,201	64,511	(29,254)	(56,207)	1,130,521	1,896,344	(15,244)	1,881,100

	Attributable to the Owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Merger difference HK$'000	Share-based compensation reserve HK$'000	Other reserves HK$'000	Investments revaluation reserve HK$'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	–	–	–	–	–	–	–	–	–	(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											
– 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 reserve 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**204,196**	122,621
Net cash used in investing activities	**(318,602)**	(91,050)
Net cash generated from (used in) financing activities	**18,667**	(40,729)
Net decrease in cash and cash equivalents	**(95,739)**	(9,158)
Cash and cash equivalents at 1 January	**396,144**	347,967
Effect of foreign exchange rate changes	**12,431**	5,375
Cash and cash equivalents at 30 June	**312,836**	344,184
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	**312,836**	327,873
Time deposits	**215,019**	132,855
	527,855	460,728
Less: Time deposits with original maturity more than three months	**(215,019)**	(116,544)
	312,836	344,184

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 2017.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2017 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and 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:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014 – 2016 Cycle except Amendments to HKFRS 12

Except below, the application of the above new and amendments to HKASs 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.

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: Recognition and Measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification and measurement

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the investments revaluation reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the investments revaluation reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI (non-recycling), are recognised in profit or loss as other income and gains, net.

The following table shows the original measurement categories for each impacted class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 *HK$'000*	Reclassification *HK$'000*	**HKFRS 9 carrying amount at 1 January 2018** ***HK$'000***
Financial assets classified as available-for-sale under HKAS 39 *(Note a)*	203,123	(203,123)	–
Financial assets classified as held-to-maturity under HKAS 39 *(Note b)*	5,826	(5,826)	–
Financial assets measured at FVTOCI (non-recycling) Equity instruments *(Note a)*	–	203,123	**203,123**
Financial assets measured at amortised cost under HKFRS 9 *(Note b)*	–	5,826	**5,826**

(a) *Available-for-sale financial assets*

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sales, of which HK$116,056,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$203,123,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI, of which HK$116,056,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. There was no difference between the previous carrying and the revised carrying amount for the unquoted equity investments at 1 January 2018. The fair value loss of HK$30,421,000 related to those investments previously carried at fair value continued to accumulate in investments revaluation reserve.

(b) *Held-to-maturity financial assets*

Guaranteed investments previously classified as held-to-maturity financial assets are reclassified and measured at amortised cost upon application of HKFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying and the revised carrying amount at 1 January 2018.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9. The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 January 2018.

(ii) ***Impairment***

HKFRS 9 requires an impairment on trades receivables, other receivables, deposits, loan receivables and advance to associates that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables, other receivables, deposits, loan receivables and advance to associates. The Group applied general approach and recorded twelve month expected losses on its trade receivables, other receivables, deposits, loan receivables and advance to associates. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at 1 January 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;

- creates and enhances an asset that the customer controls as the Group performs; or

- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

2 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted

3 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 2017.

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 financial assets at fair value through other comprehensive income, convertible instruments and retirement benefits.

As at 30 June 2018, HK$226,781,000 financial assets at fair value through other comprehensive income (31 December 2017: HK$89,246,000 available-for-sale financial assets) are stated at fair value. Included in the amount, HK$112,904,000 (31 December 2017: HK$89,246,000) listed overseas equity securities and unlisted equity securities with underlying listed overseas equity securities were included in level 1, HK$1,297,000 (31 December 2017: nil) unlisted warrants were included in level 2, and HK$112,580,000 (31 December 2017: nil) unlisted equity securities were included in level 3.

As at 30 June 2018, HK$6,889,000 (31 December 2017: HK$3,165,000) convertible instruments were stated at fair value and included in level 2.

As at 30 June 2018 and 31 December 2017, 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 2018, loss derived from change in fair value of retirement benefits of HK$6,500,000 (for the six months ended 30 June 2017: loss HK$5,100,000) have been recorded in “Administrative expenses” in the condensed consolidated statement of profit or loss.

During the six months ended 30 June 2018, 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 2018, 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	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue	**267,004**	221,625	**300,719**	253,125	**567,723**	474,750
Segment operating results	**116,994**	97,098	**52,643**	43,788	**169,637**	140,886
Impairment of intangible assets	**–**	–	**–**	(50,623)	**–**	(50,623)
Gain on deemed disposal of a subsidiary	**–**	–	**–**	58,066	**–**	58,066
Segment results	**116,994**	97,098	**52,643**	51,231	**169,637**	148,329
Unallocated income					**14,044**	1,931
Unallocated expenses					**(21,622)**	(26,077)
Profit from operations					**162,059**	124,183
Finance costs					**(1,950)**	(2,527)
Profit before share of results of associates					**160,109**	121,656
Share of results of associates					**(7,885)**	(5,441)
Profit before taxation					**152,224**	116,215
Taxation					**(34,575)**	(19,223)
Profit for the period					**117,649**	96,992

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 2017: 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 2018	31 December 2017	**30 June 2018**	31 December 2017	**30 June 2018**	31 December 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Segment assets	**414,678**	358,678	**1,354,556**	1,232,755	**1,769,234**	1,591,433
Unallocated assets					**870,557**	733,091
Total assets					**2,639,791**	2,324,524
Segment liabilities	**159,352**	135,039	**473,069**	276,705	**632,421**	411,744
Unallocated liabilities					**126,270**	115,848
Total liabilities					**758,691**	527,592

Geographical information

During the six months ended 30 June 2018 and 2017, 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 2018	31 December 2017	**30 June 2018**	31 December 2017	**30 June 2018**	31 December 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Total assets	**1,838,747**	1,549,776	**801,044**	774,748	**2,639,791**	2,324,524
Total liabilities	**266,764**	248,085	**491,927**	279,507	**758,691**	527,592

6. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income on:				
Bank deposits	**1,949**	716	**3,701**	1,530
Held-to-maturity financial assets	**70**	41	**112**	83
Advance to associates	**263**	201	**463**	401
Total interest income	**2,282**	958	**4,276**	2,014
Sales of research materials	**70**	–	**70**	1,862
Development grants	**905**	212	**5,510**	1,369
Service income	**4,864**	–	**10,201**	–
Compensation on termination of product license	**–**	2,815	**–**	2,815
Exchange (loss) gain	**(11,336)**	(5,961)	**9,124**	–
Sundry income	**406**	1,969	**660**	2,403
	(2,809)	(7)	**29,841**	10,463

7. 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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation of property, plant and equipment	**13,336**	11,090	**26,699**	21,470
Amortisation of lease premium for land	**778**	730	**1,573**	1,454
Amortisation of intangible assets	**2,003**	3,428	**5,358**	6,703
Total depreciation and amortisation	**16,117**	15,248	**33,630**	29,627
Provision for (reversal of) allowance for doubtful debts	**(286)**	50	**295**	(2)
Interest expenses on borrowings	**989**	1,155	**1,569**	2,278
Share-based payments	**1,279**	1,133	**2,425**	2,109
– Directors	**639**	478	**1,136**	796
– Employees	**640**	655	**1,289**	1,313

8. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax				
Hong Kong Profits Tax	**4,118**	(1,782)	**5,583**	1,000
PRC Enterprise Income Tax	**6,585**	6,845	**19,229**	11,014
	10,703	5,063	**24,812**	12,014
Over-provision in prior years				
Hong Kong Profits Tax	**–**	(4)	**–**	(4)
PRC Enterprise Income Tax	**(290)**	(174)	**(290)**	(156)
	(290)	(178)	**(290)**	(160)
Deferred tax				
Origination and reversal of temporary differences	**5,378**	5,683	**10,053**	7,369
	15,791	10,568	**34,575**	19,223

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.

9. DIVIDENDS

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interim dividend declared – HK$0.034 (2017: HK$0.034) per ordinary share based on issued share capital at the end of the reporting period	**20,129**	20,071	**20,129**	20,071

Interim dividend will be payable on 27 September 2018 to shareholders registered in the Company's Register of Members as at the close of business on 14 September 2018. 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. 2017 final dividend of HK$0.070 per share, totalling HK$41,439,000 was paid on 13 June 2018.

10. 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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings:				
Net profit attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**55,593**	78,690	**125,771**	125,070

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	Share(s)	*Share(s)*	***Share(s)***	*Share(s)*
	'000	*'000*	***'000***	*'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**591,872**	590,278	**591,649**	590,186
Effect of dilutive potential ordinary shares:				
Options	**4,511**	2,236	**4,612**	2,094
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**596,383**	592,514	**596,261**	592,280

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the period ended 30 June 2018, additions to property, plant and equipment amount to HK$48 million (six months ended 30 June 2017: HK$63 million).

During the six months ended 30 June 2018, additions to intangible assets amount to HK$86 million (six months ended 30 June 2017: HK$41 million), which consist of both license fee and development cost.

12. INTERESTS IN ASSOCIATES

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

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Cost of investment, unlisted	**145,780**	145,780
Share of post-acquisition loss and other comprehensive income, net of dividends received	**(67,519)**	(58,531)
Share of reserves of associates	**139**	114
	78,400	87,363

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 2018	31 December 2017	**30 June 2018**	31 December 2017	
CVie Therapeutics Limited ("CVie TW")	Taiwan/Taiwan	**49.58%**	49.58%	**49.58%**	49.58%	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
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

13. 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 2018 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 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
0 – 30 days	**75,634**	41,782
31 – 120 days	**62,468**	41,234
121 – 180 days	**2,301**	2,544
181 – 365 days	**724**	223
Over 365 days and under 3 years	**–**	18
	141,127	85,801

14. 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 2018 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 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
0 – 90 days	**26,252**	26,090
91 – 180 days	**299**	–
181 – 365 days	**912**	–
Over 365 days	**35**	58
	27,498	26,148

15. BANK BORROWINGS

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Carrying amount of the borrowings are repayable:		
Within one year	**47,137**	58,291
More than one year but not exceeding two years	**30,285**	23,027
More than two years but not exceeding five years	**76,822**	17,686
	154,244	99,004

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

The effective interest rates of the bank borrowings range from 2.61% to 3.73% (31 December 2017: 2.05% to 4.79%) per annum.

16. SHARE CAPITAL

	Number of shares		Share Capital	
	At 30 June 2018 (unaudited)	At 31 December 2017 (audited)	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Authorised:				
Ordinary shares of HK$0.05 each	**1,000,000,000**	1,000,000,000	**50,000**	50,000
Issued and fully paid:				
At beginning of the period/year	**590,943,343**	590,051,343	**29,547**	29,503
Exercise of share options	**1,086,000**	892,000	**54**	44
At end of the period/year	**592,029,343**	590,943,343	**29,601**	29,547

17. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries *HK$'000*	Share-based compensation reserve of subsidiaries *HK$'000*	Total *HK$'000*
At 1 January 2018 (audited)	(7,498)	84	(7,414)
Capital contribution from non-controlling interests	1,954	–	1,954
Additional non-controlling interests arising from partial disposal of a subsidiary *(Note 18)*	(4,024)	–	(4,024)
Share of loss for the period	(8,122)	–	(8,122)
Share of other comprehensive income for the period			
– Exchange differences on translation of financial statement of overseas subsidiary	23	–	23
– Fair value changes of financial assets at fair value through other comprehensive income	2,330	–	2,330
Share of employee share options benefit	–	9	9
At 30 June 2018 (unaudited)	(15,337)	93	(15,244)
At 1 January 2017 (audited)	32,923	67	32,990
Capital contribution from non-controlling interests	1,564	–	1,564
Share of loss for the year	(29,620)	–	(29,620)
Share of other comprehensive income for the year			
– Exchange differences on translation of financial statements of overseas subsidiaries	878	–	878
Share of employee share options benefit	–	17	17
Additional non-controlling interests arising from partial disposal of interests in a subsidiary	(666)	–	(666)
Deemed disposal of a subsidiary	(12,577)	–	(12,577)
At 31 December 2017 (audited)	(7,498)	84	(7,414)

The non-controlling interests represent 43.74% (31 December 2017: 43.74%), 35% (31 December 2017: 35%) and 26% (31 December 2017: nil) equity interests held by third parties in CVie Therapeutics Company Limited, China Oncology Focus Limited and LPH Investments Limited respectively.

18. PARTIAL DISPOSAL OF INTERESTS IN A SUBSIDIARY

In April 2018, the Company sold 26 shares in LPH Investments Limited ("**LPH Investments**") to an independent third party at consideration of USD2,600,000 (approximately HK$20,161,000). After the disposal of shares, the Group's shareholding in LPH Investments reduced by 26% to 74%. As the Group retained control over LPH Investments, the Group recognised a gain on partial disposal of interests in LPH Investments of HK$24,185,000 in the equity attributable to the owners of the Company, and an decrease in non-controlling interests of HK$4,024,000 during the reporting period.

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 2018, the Group received approximate HK$435,000 (six months ended 30 June 2017: HK$401,000) interest income from loans to PPI.

(b) Interest income from shareholder loans to CVie TW

During the six months ended 30 June 2018, the Group received approximate HK$28,000 (six months ended 30 June 2017: nil) interest income from loans to CVie TW.

(c) Compensation of key management personnel

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term employee benefits	**9,010**	17,673
Share-based payments	**1,136**	796
Retirement and other post-employment benefits	**6,527**	5,127
– Defined contribution plan	**27**	27
– Retirement benefits	**6,500**	5,100
	16,673	23,596

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

During the six months ended 30 June 2018, total HK$200,000 (six months ended 30 June 2017: 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.

(e) **Service income from CVie TW**

During the six months ended 30 June 2018, total HK$10,201,000 (six months ended 30 June 2017: nil) was received from CVie TW, an associate to the Group, for providing research and development services.

(f) **Issue of subsidiary's shares to Perfect Concept Holdings Limited ("Perfect Concept")**

During the period under review, China Oncology Focus Limited ("**COFL**"), a subsidiary of the Company, issued total 3,500 shares to Perfect Concept. Dr. Li Xiaoyi, Ms. Lee Siu Fong and Ms. Leelalaertsuphakun 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$252,000 (HK$1,968,000 approximately).

Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi are the directors and substantial shareholders of the Company who are connected persons of the Company under the Listing Rules. They hold 90% of the equity interest in Perfect Concept and therefore, Perfect Concept is the associate of Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi, and is then a connected person of the Company under the Listing Rules. Lee's International is a shareholder of COFL and at the same time, Perfect Concept, is also a shareholder of COFL. Perfect Concept, being a connected person of the Company, is holding 35% of the issued share capital of COFL, and therefore, the issue of COFL's shares to Perfect Concept constitutes a connected transaction pursuant to Rule 14A.27 of the Listing Rules.

20. CAPITAL COMMITMENTS

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital commitments contracted for in respect of:		
Investment in financial assets at FVTOCI/ available-for-sale financial assets	**55,177**	16,552
Intangible assets – license fee and development cost	**74,579**	76,760
Property, plant and equipment	**43,983**	38,427
	173,739	131,739
Authorised but not contracted for:		
Intangible assets – license fee and development cost	**19,891**	28,653

21. PLEDGE OF ASSETS

At 30 June 2018, the Group has pledged bank deposits of HK$46,524,000 to secure general banking facilities granted to an associate of the Group (31 December 2017: pledged bank deposits of HK$27,915,000 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$1,540,000 as at 30 June 2018 (31 December 2017: HK$1,652,000).