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 RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

BUSINESS REVIEW

The first half of 2012 saw the Group shift into a higher gear in both product sales growth and product development. The accelerated growth momentum carried both revenue and profit to a historical new acme and frenzied bustle of partnership expanded the breadth of the Group's robust pipeline, putting the Group in a propitious position to reap the benefit of the phenomenal growth of China's healthcare industry.

Riding on the strong growth momentum of first quarter, the Group delivered yet another remarkable performance by achieving significant sequential growth. Turnover and net profit attributable to shareholders for the second quarter of 2012 increased 32.8% and 21.3% respectively over the first quarter this year. For the six months ended 30 June 2012, sales soared by 55.4% compared with the same period last year and reached a historical height of HK$255,781,000. The leap in turnover was propelled by the robust sales of the five main products of the Group and sales of *Livaracine*®, *Ferplex*®, *Carnitene*®, *Slounase*® and *Yallaferon*® grew by 76.7%, 63.5%, 51.4%, 50.2% and 48.9% respectively for the first half year over same period last year. This is a healthy departure from last year when similar sales accretion was thrust by only two products with increase over 50%. The more balanced development could be accredited to enhanced efforts in brand building, making the growth more resilient to market uncertainty.

* *For identification purposes only*

The Group also completed the turnaround from divergence of sales and profit growth during the period and registered faster pace in profit growth than sales growth in the first half of 2012. Both operation profit and net profit attributable to shareholders of the Company attained historical new level of HK$63,830,000 and HK$54,472,000 respectively, which represented a significant increase of 65.7% and 63.3% respectively over same period last year. While the gross profit margin for the second quarter held steady at 71%, same as that of first quarter, the net profit margin did ameliorate by one percentage point over same period last year to reach 21.3%. The improvement was due to the inexorable endeavor in boosting the efficiency and effectiveness of its sales and marketing organization, evidenced by considerable drop of selling expenses to turnover ratio from 37.2% in the first quarter to 30.8% in the second quarter of current year.

During the quarter, the construction of a new manufacturing site in Hefei has broken the ground. The building will be erected in six months, providing six thousand square meters of production area. The new facility is being built according to China SFDA's new cGMP requirements and will be fully operational before the end of 2013. Meanwhile, the works in the Group's new site in Nansha, Guangzhou are progressing on schedule. Upon completion, a total floor area of 57,000 square meters will serve as the Group's hubs for research and development, logistic and manufacturing in China. It will also enable the Group to produce and export finished products to major pharmaceutical markets in the US and Europe in future.

The Group also kept up the tempo in its activities pertained to research and development in the quarter. The assiduous effort of the clinical development team in the last three years has brought about a successful completion of its Phase III clinical study of *Carnitene®* (L-Carnitine Injection) on chronic heart failure patients with acute episode. Preliminary analysis demonstrated that the trial has met its primary endpoint. For the first time in China, strong evidence is generated to support and substantiate the clinical benefit of L-Carnitine as a metabolic intervention agent in treatment of heart failure. The Group plans to submit the new indication application to the China SFDA in the third quarter to further differentiate *Carnitene®* from its competitors.

On July 31, the first patient was enrolled in a Phase Ib-IIa clinical trial of the Group's first-in-class anti-platelet drug *Declotana®* (Anfibatide) in patients with acute coronary syndrome (ACS). This is an important milestone for *Declotana®* development in China. As a first-in-class drug, *Declotana®* is the first platelet Ib antagonist to complete human phase I study and to start Phase II study. This achievement attests the Group's capability in new drug discovery and development. *Declotana®* represents a novel therapeutic mechanism and may advance the treatment of acute coronary syndrome and percutaneous coronary intervention.

On the heels of two partnership deals in the first quarter, the Group continued the effort expeditiously. In May, the Group licensed two phase II assets from Sigma-Tau, a long term strategic partner of the Group for development in China and other territories. Both Rostafuroxin and Istaroxime are proprietary drugs targeted significant unmet medical needs in the areas of hypertension and acute heart failure. Particularly, Rostafuroxin is the first anti-hypertensive agent that employs pharmacogenomic approach for personalized treatment of hypertension. Application for phase IIb study in both Italy and China has been accepted by China SFDA for review and the clinical study will be initiated in Italy at 4th quarter of 2012 and in China at 3rd quarter of 2013 respectively. In total, the Group established three partnerships for development of four innovative products in China in the first half of the year, greatly enriching the development pipeline of the Group.

The partnership drive went beyond the product development to corporate development level by introducing new strategic shareholders who brings valuable resources to aid the Group's long term growth. In May this year, at the holding level, the Group issued 48,485,000 ordinary shares by placement to one of the most prestige private equity funds in China. The net proceeds of placement amounted to approximately HK$152 million which will be used for general working capital of the Group to improve the existing business and future investment purposes of the Group. In addition, at the subsidiary level, the Group's wholly owned subsidiary, CVie Therapeutics Company Limited ("CVie Therapeutics"), completed an Agreement with one of the most reputed venture capital in US, pursuant to which new investor agrees to subscribe for the Series A Shares of CVie Therapeutics for consideration of up to US$10,000,000. Both investments are vote of confidence to the Group's strategy and provide ample resources to support the Group's ambitious drug development programs.

PROSPECTS

As the Group commemorates the tenth anniversary of its listing on the Hong Kong Stock Exchange and celebrates its stellar growth in the past decade, the Group is sanguine that it could enter into a new trajectory of growth in the next decade, albeit there will be blips and bumps along the way.

The five major products, namely *Carnitene*®, *Livaracine*®, *Yallaferon*®, *Ferplex*® and *Slounase*®, will continue to be the main drivers for growth in the near future. As specialty products targeting unmet medical needs, they will benefit from increasing demand generated from a change of disease prevalent landscape in China as well as reallocation of healthcare resources by the government. Scientific promotion and medical marketing such as phase IV clinical study and symposium will further fuel growth by boosting brand awareness and product competitiveness.

The remaining six products, namely *Gaslon N®*, *Brio®*, *Veloderm®*, *Eyprotor®*, *Zanidip®* and *Hyalofemme®*, are in the early stage of product cycle and mostly have been launched for less than three years. The products have been gradually adapted by the medical community during the initial penetration stage. The sales of the products are expected to accelerate in the years to come and become the new growth driver of the Group.

There are five new products that are currently under final review by China SFDA. The approvals of those products are expected in the next 18 month. The anticipated unveiling of the new product in the market place will be the catalyst of future growth, taking the sales development of the Group to another level.

Further down the road, the Group will focus on the fourteen development programs on hand that address unmet medical needs in realms of cardiovascular, oncology, gynecology, dermatology and ophthalmology. Resources will be allocated aggressively to ensure expeditious development of the products. The successful completion of those development programs will confer the Group a road to sustainable growth in the future. Looking ahead, the Group is well prepared to meet the challenge head-on and to deliver strong results for its shareholders in the coming decade.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		For the three months ended 30 June		For the six months ended 30 June	
		2012	2011	**2012**	2011
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	(2)	**145,892**	90,944	**255,781**	164,623
Cost of sales		**(41,985)**	(23,410)	**(73,809)**	(42,765)
Gross Profit		**103,907**	67,534	**181,972**	121,858
Other revenue		**1,658**	1,965	**6,760**	3,168
Gain on deemed disposal of associates		**–**	–	**–**	6,441
Selling and distribution expenses		**(44,876)**	(39,918)	**(85,748)**	(71,071)
Research and development expenses		**(2,912)**	(1,941)	**(5,662)**	(5,558)
Administrative expenses		**(22,935)**	(8,459)	**(33,492)**	(16,315)
Profit from operations	(4)	**34,842**	19,181	**63,830**	38,523
Finance costs		**(258)**	(201)	**(507)**	(460)
Share of results of associates		**–**	–	**–**	(273)
Profit before taxation		**34,584**	18,980	**63,323**	37,790
Taxation	(5)	**(4,950)**	(2,638)	**(9,079)**	(4,472)
Profit for the period		**29,634**	16,342	**54,244**	33,318
Attributable to:					
Shareholders of the Company		**29,863**	16,462	**54,472**	33,356
Non-controlling interests		**(229)**	(120)	**(228)**	(38)
		29,634	16,342	**54,244**	33,318
		HK cents	*HK cents*	***HK cents***	*HK cents*
Earnings per share					
Basic	(7)	**6.17**	3.51	**11.42**	7.13
Diluted	(7)	**6.04**	3.43	**11.18**	6.98

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period	**54,244**	33,318
Other comprehensive income:		
Exchange differences on translation of:		
– Financial statements of overseas subsidiaries	**(1,590)**	1,706
– Revaluation of overseas buildings	**(32)**	65
Release of share of other reserves of associates	**–**	(5,855)
Other comprehensive expense for the period, net of tax	**(1,622)**	(4,084)
Total comprehensive income for the period	**52,622**	29,234
Total comprehensive income attributable to:		
Shareholders of the Company	**52,853**	29,267
Non-controlling interests	**(231)**	(33)
	52,622	29,234

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**(Unaudited) 30 June 2012 *HK$'000***	(Audited) 31 December 2011 *HK$'000*
Non-current assets			
Property, plant and equipment	(8)	**69,085**	47,303
Intangible assets		**107,574**	87,297
Lease premium for land		**8,355**	7,514
Goodwill		**3,900**	3,900
Available-for-sales financial asset		**8,165**	8,165
		197,079	154,179
Current assets			
Lease premium for land		**183**	164
Inventories		**36,759**	35,004
Trade receivables	(9)	**53,392**	58,342
Other receivables, deposits and prepayments		**41,650**	25,890
Pledged bank deposits		**2,007**	2,003
Time deposits		**174,713**	40,896
Cash and bank balances		**155,414**	93,598
		464,118	255,897
Current liabilities			
Trade payables	(10)	**10,343**	9,105
Other payables		**68,425**	46,866
Derivative financial instrument		**195**	136
Bank borrowings	(11)	**36,445**	17,160
Obligation under finance leases		**542**	522
Tax payables		**10,454**	9,708
		126,404	83,497
Net current assets		**337,714**	172,400
Total assets less current liabilities		**534,793**	326,579

	Notes	(Unaudited) 30 June 2012 HK$'000	(Audited) 31 December 2011 HK$'000
Capital and reserves			
Share capital	(12)	**25,936**	23,489
Reserves		**477,626**	288,425
Equity attributable to shareholders of the Company		**503,562**	311,914
Non-controlling interests	(13)	**390**	417
Total equity		**503,952**	312,331
Non-current liabilities			
Deferred tax liabilities		**16,744**	13,379
Obligation under finance leases		**606**	869
Retirement benefit		**4,279**	–
License fee payables		**9,212**	–
		30,841	14,248
		534,793	326,579

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to the shareholders of the Company										
	Share capital	Share premium	Merger difference	Share-based compensation reserve	Other reserves	Revaluation reserve	Exchange reserve	Retained profits	Sub-total	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	23,489	105,533	9,200	2,440	–	3,980	10,372	156,900	311,914	417	312,331
Employee share option benefits	–	–	–	644	–	–	–	–	644	–	644
Exercise of share options	23	146	–	(42)	–	–	–	–	127	–	127
Issue of ordinary shares by placement	2,424	149,707	–	–	–	–	–	–	152,131	–	152,131
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	204	204
Profit for the period	–	–	–	–	–	–	–	54,472	54,472	(228)	54,244
Other comprehensive expenses for the period	–	–	–	–	–	(32)	(1,587)	–	(1,619)	(3)	(1,622)
Total comprehensive income for the period	–	–	–	–	–	(32)	(1,587)	54,472	52,853	(231)	52,622
2011 final dividend paid	–	–	–	–	–	–	–	(14,107)	(14,107)	–	(14,107)
At 30 June 2012	25,936	255,386	9,200	3,042	–	3,948	8,785	197,265	503,562	390	503,952
At 1 January 2011	23,292	103,143	9,200	1,969	5,855	3,818	5,774	88,013	241,064	284	241,348
Employee share option benefits	–	–	–	601	–	–	–	–	601	–	601
Exercise of share options	186	2,201	–	(702)	–	–	–	–	1,685	–	1,685
Profit for the period	–	–	–	–	–	–	–	33,356	33,356	(38)	33,318
Other comprehensive expenses for the period	–	–	–	–	(5,855)	65	1,701	–	(4,089)	5	(4,084)
Total comprehensive income for the period	–	–	–	–	(5,855)	65	1,701	33,356	29,267	(33)	29,234
2010 final dividend paid	–	–	–	–	–	–	–	(9,384)	(9,384)	–	(9,384)
At 30 June 2011	23,478	105,344	9,200	1,868	–	3,883	7,475	111,985	263,233	251	263,484

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance 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") and with Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34").

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

The accounting policies and method of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011 except as described below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations (the "new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The adoption of the new or revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs	Annual Improvements 2009-2011 Cycle[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 1	Government Loans[2]

Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

Key requirements of HKFRS 9 are described as follows:

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

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The effective day of HKFRS 9 is for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

In June 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) – Int 12 *Consolidated – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or right, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five Standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five Standards are applied early at the same time.

The directors anticipate that these five Standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of HKFRS 10 and HKFRS 11 may have an impact on amounts reported in the consolidated financial statements.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

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

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and the application of the amendments to HKAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans.

2. TURNOVER

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

3. SEGMENT INFORMATION

Business segments

The following table presents turnover and results of the Group's business segments for the six months ended 30 June 2012.

	Proprietary products		**License-in products**		**Consolidated**	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment turnover	**134,606**	84,518	**121,175**	80,105	**255,781**	164,623
Segment results	**49,390**	21,959	**24,229**	13,948	**73,619**	35,907
Interest income					**450**	232
Gain on deemed disposal of associates					**–**	6,441
Unallocated expenses					**(10,239)**	(4,057)
Profit from operations					**63,830**	38,523
Finance costs					**(507)**	(460)
Share of results of associates					**–**	(273)
Profit before taxation					**63,323**	37,790
Taxation					**(9,079)**	(4,472)
Profit for the period					**54,244**	33,318

Geographical segments

During the six months ended 30 June 2012 and 2011, more than 90% of the Group's turnover was derived from activities conducted in the People's Republic of China (the "PRC"), no geographical segmental information is presented.

4. PROFIT FROM OPERATIONS

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit from operations has been arrived at after charging:				
Depreciation of property, plant and equipment	**2,482**	1,835	**4,906**	3,580
Amortisation of lease premium for land	**45**	10	**86**	18
Amortisation of intangible assets	**859**	777	**1,799**	1,655
Total depreciation and amortisation	**3,386**	2,622	**6,791**	5,253
Allowance for bad and doubtful debts	**425**	301	**1,454**	759

5. TAXATION

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax				
Hong Kong Profits Tax	**(1,305)**	1,126	**–**	1,126
PRC Enterprise Income Tax	**3,022**	214	**5,667**	539
	1,717	1,340	**5,667**	1,665
Deferred tax				
Provision of current period	**3,233**	1,298	**3,412**	2,807
	4,950	2,638	**9,079**	4,472

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit in Hong Kong. During the period, there is no provision for Hong Kong Profits Tax.

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

6. DIVIDENDS

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interim dividend declared of HK$0.018 (2011:HK$0.012) per ordinary share based on issued share capital at the end of the reporting period	**9,337**	5,635	**9,337**	5,635

Interim dividend will be payable on 18 October 2012 to shareholders registered in the Company's Register of Members as at the close of business on 21 September 2012. 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.

2011 final dividend of HK$0.03 per share, totalling HK$14,107,000 was paid in June 2012.

7. EARNINGS PER SHARE

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

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2012	2011	**2012**	2011
Net profit attributable to shareholders of the Company for the purpose of basic and diluted earnings per share	**HK$29,863,000**	HK$16,462,000	**HK$54,472,000**	HK$33,356,000
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**484,088,294**	469,334,393	**477,007,497**	467,803,476
Effect of dilutive potential ordinary shares:				
Options	**10,356,350**	10,032,058	**10,038,215**	10,101,554
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**494,444,644**	479,366,451	**487,045,712**	477,905,030

As per shareholders' agreement ("the Agreement") of Powder Pharmaceuticals Incorporated ("Powder"), the shareholders (except Lee's Pharmaceutical International Limited, a subsidiary of the Group) of Powder shall be entitled to exercise the rights to convert, (and not parts) of its shares free from encumbrances to shares of the Company. The shareholders can convert the shares at valuation of HK$1.80 per share, subject to adjustments, starting from the day after the 3rd anniversary and ending on the day immediately before the 5th anniversary of the date of agreement, i.e. from 8 January 2013 to 7 January 2015 ("the conversion period").

Thus, the shareholders of Powder could convert 22,031,523 shares of the Company during the conversion period which the contingent share agreement will cause dilution of earnings per share of the Company. Earnings per share of the Company will be diluted accordingly since 8 January 2013. No dilution effect is resulted from this Agreement in the current reporting period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2012, additions to property, plant and equipment amount to HK$27.03 million.

9. TRADE RECEIVABLES

The Group has a policy of allowing an average credit period of 30-120 days to its trade customers. The fair value of the Group's trade receivables at 30 June 2012 approximate to the corresponding carrying amount.

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

	(Unaudited) 30 June 2012	(Audited) 31 December 2011
	HK$'000	*HK$'000*
0-90 days	**48,461**	53,493
91-180 days	**3,434**	3,837
181-365 days	**2,993**	2,024
Over 365 days and under 3 years	**1,983**	1,018
	56,871	60,372
Less: Allowance for bad and doubtful debts	**(3,479)**	(2,030)
	53,392	58,342

10. TRADE PAYABLES

The fair value of the Group's trade payables as at 30 June 2012 approximate to the corresponding carrying amount.

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

	(Unaudited) **30 June** **2012** ***HK$'000***	(Audited) 31 December 2011 *HK$'000*
0-90 days	**10,326**	9,057
91-180 days	**–**	1
181-365 days	**16**	24
Over 365 days	**1**	23
	10,343	9,105

11. BANK BORROWINGS

	(Unaudited) **30 June** **2012** ***HK$'000***	(Audited) 31 December 2011 *HK$'000*
Carrying amount of the borrowings are repayable:		
Within one year	**9,820**	4,445
More than one year but not exceeding two years	**8,295**	4,228
More than two years but not more than five years	**18,330**	8,487
	36,445	17,160

The carrying amounts of bank borrowings are denominated in the following currency:

	(Unaudited) **30 June** **2012** ***HK$'000***	(Audited) 31 December 2011 *HK$'000*
Hong Kong dollars	**36,445**	17,160

The effective interest rates of the bank borrowings range from 3% to 6% per annum.

12. SHARE CAPITAL

	Number of ordinary shares of HK$0.05 each	Amount
		HK$'000
Authorised:		
At 30 June 2012 and 31 December 2011	1,000,000,000	50,000

Issued and fully paid:

	Number of ordinary shares of HK$0.05 each		Amount	
	Six months ended 30 June 2012 (Unaudited)	Year ended 31 December 2011 (Audited)	**Six months ended 30 June 2012 (Unaudited)**	Year ended 31 December 2011 (Audited)
			HK$'000	*HK$'000*
At beginning of the period	**469,770,437**	465,832,437	**23,489**	23,292
Exercise of share options	**465,000**	3,938,000	**23**	197
Issue of ordinary shares by placement	**48,485,000**	–	**2,424**	–
At end of the period	**518,720,437**	469,770,437	**25,936**	23,489

13. NON-CONTROLLING INTERESTS

	(Unaudited) 30 June 2012	(Audited) 31 December 2011
	HK$'000	*HK$'000*
Balance at 1 January	**417**	284
Capital injection	**204**	–
Share of (loss) profit for the period	**(228)**	118
Share of exchange reserve on consolidation	**(3)**	15
	390	417

During the reporting period, the registered capital of 廣州兆科聯發醫藥有限公司, a subsidiary of the Group, increased by RMB500,000 to RMB1,500,000. HK$204K capital injection represents increase in capital by non-controlling interests in respect of the amended registered capital.

14. RELATED PARTY TRANSACTIONS

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

(a) Related party transactions

(i) Purchase of pharmaceutical product

Name of related party	*Note*	Nature of transaction	(Unaudited) For the six months ended 30 June 2012	2011
			HK$'000	*HK$'000*
Sigma-Tau Group	(1)	Purchase of pharmaceutical product	**15,645**	22,612

Note: Defiante Farmaceutica, S.A. ("Defiante") is a substantial shareholder of the Company which is also a member of Sigma-Tau Group.

(ii) Loans to related party

There is a loan advance of US$500,000 (equivalent to HK$3,900,000) from the Group to Powder Pharmaceuticals Incorporated ("Powder") for one year at interest rate of 6% per annum. Dr. Li Xiaoyi and Defiante are substantial shareholders of Powder.

(iii) Deposit of license fee

On 27 March 2012, the Group signed a binding term sheet with RegeneRx Biopharmaceuticals Inc. ("RegeneRx"), an associate of Defiante. Pursuant to the binding term, the Group paid US$200,000 to RegeneRx for the license. Additional US$200,000 license fee is paid in July 2012 upon execution of definitive license agreement.

Milestone payment

The Group shall pay to RegeneRx US$0.5 million upon initiation of first commercial sale of the first Licensed Product in the PRC, US$1.5 million upon reaching US$50 million of aggregate commercial sales in the Territory, and US$1.6 million upon reaching US$80 million of aggregate commercial sales in the Territory.

Royalty

The Group shall pay to RegeneRx royalties on a percentage of annual net sales of Licensed Products in the Territory.

(b) Compensation of directors of the Group

	(Unaudited) For the six months ended 30 June **2012** *HK$'000*	2011 *HK$'000*
Short-term employee benefits	**4,592**	2,965
Post-employment benefits	**4,298**	18
Share-based payments	**306**	256
	9,196	3,239

(c) Licensing

On 24 May 2012, CVie Therapeutics, a wholly-owned subsidiary of the Company, entered into; (i) the Istaroxime Licensing Agreement with Sigma-Tau (ii) the Rostaquo Licensing Agreement with Rostaquo; and (iii) the Sigma-Tau Licensing Agreement with Sigma-Tau. Sigma-Tau and Rostaquo are both controlled companies of Sigma-Tau Finanziaria S.p.A., which directly and indirectly owns 100% equity interest in Defiante. Sigma-Tau and Rostaquo are both associates of Defiante and therefore are related parties of the Company.

(i) the Istaroxime Licensing Agreement with Sigma-Tau

Sigma-Tau has agreed to grant exclusive license to CVie Therapeutics to use and exploit the Background Patents and Background Know-how in respect of the Istaroxime Products and the SERCA2a Products in the Territory and in the extended territory. The consideration to be paid by CVie Therapeutics comprises of the License Milestone Payments and the Royalties. For license milestone payments, a non-refundable sum of US$500,000 (HK$3,900,000) shall be paid within 60 days after the approval from the SFDA. For royalty, a royalty of 1.5% to 12% on the net sales of the Istaroxime Products and SERCA2a Products shall be paid annually on a country-by-country basis and product-by-product basis.

(ii) the Rostaquo Licensing Agreement with Rostaquo

Rostaquo has agreed to grant exclusive license to CVie Therapeutics to use and exploit the Background Patents and Background Know-how in respect of the Rostafuroxin Products in the Territory and in the extended territory. The consideration to be paid by CVie Therapeutics comprises of the License Milestone Payments and the Royalties. For license milestone payments, a non-refundable sum of US$150,000 (HK$1,170,000) shall be paid when an official authorization to initiation of phase III clinical study on the Rostafuroxin Products by the SFDA is granted. For royalty, a royalty of 8% on the net sales of the Rostafuroxin Products shall be paid annually on a country-by-country basis and product-by-product basis.

(iii) the Sigma-Tau Licensing Agreement with Sigma-Tau

In addition to the Background Patents and the Background Know-how in respect of the Rostafuroxin Products which are owned, licensed to or controlled by Rostaquo, certain Background Patents in respect of the Rostafuroxin Products are owned by or registered in the name of Sigma-Tau. The consideration to be paid by CVie Therapeutics comprises of Royalties only. A royalty of 4% on the net sales of the Rostafuroxin Products shall be paid annually on a country-by-country basis and product-by-product basis.

15. CAPITAL COMMITMENTS

	(Unaudited) **30 June** **2012** ***HK$'000***	(Audited) 31 December 2011 *HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
Intangible assets – license fee and development cost	**11,515**	26,168
Property, plant and equipment	**287**	1,373
Construction contracts	**110,046**	9,125
	121,848	36,666
Authorised but not contracted for:		
Intangible assets – license fee and development cost	**976**	–
Construction contract	**–**	123,000
	976	123,000

16. PLEDGED OF ASSETS

As at 30 June 2012, the Group did not pledge leasehold land and building (31 December 2011: Nil) but pledged bank deposit of HK$2,007,476 (31 December 2011: HK$2,002,951) to secure general banking facilities granted to the Group.

In addition, the Group's obligations under finance leases are secured by the lessors' title to the motor vehicle, which have a carrying amount of HK$1,632,394 (31 December 2011: HK$1,731,256).

17. EVENTS AFTER THE END OF THE INTERIM PERIOD

(i) Subscribe for Series A Shares

On 6 July 2012, CVie Therapeutics, China Cardiovascular Focus Limited ("CCF"), Ivy Blue Holdings Limited ("IBHL") and the Company entered into the Purchase Agreement, pursuant to which IBHL agrees to subscribe for Series A Shares for consideration of up to US$10,000,000, pursuant to the terms and conditions of the Purchase Agreement.

After the Initial Closing, which took place on 3 August 2012, CVie Therapeutics ceased to be a wholly-owned subsidiary of the Company, and the Company's equity interest in CVie Therapeutics reduced to 79.95% of the total issued share capital of CVie Therapeutics upon allotment of Series A Shares to IBHL for consideration of US$4 million. As CVie Therapeutics remains a subsidiary of the Company, all the difference between the fair value of the equity of CVie Therapeutics disposed of and the consideration for the subscription is recognised directly to the equity of the Group.

(ii) Shareholder Loan

On 23 July 2012, the Group and Powder Pharmaceuticals Incorporated ("Powder") entered into the Shareholder Loan Agreement, pursuant to which, the Group agrees to advance the Shareholder Loan in the principal amount of US$500,000 (approximately HK$3,890,000) to Powder at an interest rate 4% per annum. The Term of the Loan shall be one year commencing from the Advance Date.

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 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 20 September 2012 to Friday, 21 September 2012 (both days inclusive). In order to establish entitlements to the interim dividend, all transfers accompanies by the relevant share certificates must be lodged with Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1726, 17th Floor Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 19 September 2012. Interim dividend will be payable on 18 October 2012 to shareholders registered in the Company's Register of Members as at the close of business on 21 September 2012.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 30 June 2012 are unaudited, but have been reviewed by auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

An audit committee was set up with written terms of reference in compliance with Rules 3.21 of the Main Board Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee comprises three members, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl, who are the independent non-executive directors of the Company.

The audit committee has reviewed with the management and auditors this unaudited interim report for the six months ended 30 June 2012 before recommending it to the Board for approval.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of Main Board Listing Rules throughout the six months ended 30 June 2012, 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 and experience that they can contribute to the Company.

On behalf of the Board
Lee Siu Fong
Chairman

Hong Kong, 27 August 2012

As at the date thereof, Ms. Lee Siu Fong (Chairman of the Company), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors; Mr. Mauro Bove is non-executive Director, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive Directors.