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)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

BUSINESS REVIEW

Amid uncertainty and adjustment faced by the industry in 2012, the Group managed to turn adversity into opportunity. Not only it continued its growth momentum, but also reinvigorated itself by restructuring its sales and marketing management system and accelerating corporate development, providing new catalyst for sustainable growth.

Turnover and Profit

Turnover for the year ended 31 December 2012 amounted to HK$534,333,000, which represented a significant increase of 33.7% compared with same period last year. The growth was driven by strong demand for our five leading products of our Group with sales of *Livaracine*®, *Ferplex*®, *Carnitene*®, *Slounase*® and *Yallaferon*® for the year 2012 grew by 50%, 47%, 37%, 22% and 13% respectively compared with same period last year. It is encouraging to see that growth of *Livaracine*® picked up steam again in 2012, completing a turnaround from a flat 2011.

Selling expenses to turnover ratio continued to drop to 31.5% for the fourth quarter of 2012 due to relentless effort of management to control the selling expenses and to improve the efficiency and effectiveness of the Group's sales and marketing organization. Selling expense to turnover ratio for the year 2012 was 33.6%, represented a drop of 5.5 percentage points compared with the ratio of 39.14% for the year 2011.

Net profit attributable to shareholders for the year 2012 reached a new level of HK$113,807,000, representing an increase of 35.6% over last year. The net profit margin for the year 2012 was 21.3%, represented a slight improvement compared with 21.0% for the year 2011.

* *For identification purposes only*

The Group's stellar performance and its commitment to innovation have continued to be recognized by its peer in the industry and the governments. For second year in a row, the Group was selected by Forbes Asia as one of the top 200 companies in Asia Pacific with revenue under a billion US dollar. With this achievement, the Group has joined an elite group of companies that perform consistently to deliver return to its shareholders.

Quality System, Production and Manufacturing facility

In preparation for the implementation of China's new GMP standard, the Group revamped its quality assurance system through restructuring its quality department, making it more reliable and dependable. With an improved quality assurance system, the Group significantly increased its production output without any quality incidence for the year. With the construction of a new manufacturing facility in Hefei that is built in accordance with the China SFDA's new cGMP requirements and will be in full operation by end of 2013, the Group is in an auspicious position to remain competitive in the market place.

The construction work of the Group's new site in Nansha, Guangzhou will be completed in mid of 2013 and it will serve as the Group's hubs for research and development, logistic and manufacturing in China. The availability of new production facilities will considerably enhance the Group's production capability and capacity and it will also enable the Group to produce and export finished products to major pharmaceutical markets in the US and Europe in future.

Powder Pharmaceutical Incorporated ("PPI"), a company of which approximately 16% of its issued capital is held by the Group, successfully made a submission to US FDA for approval of the production of *Zingo*® in the new Hong Kong manufacturing facility. *Zingo*® is a FDA approved, needle-less, painless, fast, Lidocaine powder injection system that provides local analgesia for children age 3 and over as well as adults prior to venipuncture and intravenous cannulation. In December 2009, PPI acquired the entire assets of *Zingo*® franchise and moved the production facility to Hong Kong. PPI has since worked diligently to establish the new site according to FDA requirements. The submission in October 2012 has initiated the process of certification for the new manufacturing facility in Hong Kong by US FDA. The successful completion of this process will ensure the relaunch of *Zingo*® in US market. The representative from US FDA has reviewed the Hong Kong production facility and upon further submission of document and completion of modification work by PPI, the directors are confident that approval will be granted by US FDA soon.

Drug development

The Group had an outstanding year in research and development in 2012, epitomized by the advancement of its two key programs, namely Anfibatide and JX-594 and by the establishment of Research and Development Centre for New Drugs. In July 2012, the first patient has been enrolled in a Phase Ib-IIa clinical trial of its first-in-class anti-platelet drug *Declotana*® (Anfibatide) in patients with acute coronary syndrome (ACS). 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. *Declotana*® represents a novel therapeutic mechanism and may advance the treatment of acute coronary syndrome and percutaneous coronary intervention. As now, the completion of the first cohort enrollment is expected by end of March 2013. Global Phase IIb study of JX-594 in treatment of liver cancer was initiated in mid 2012 and has since reached 50% enrollment target. JX-594 is a proprietary, engineered oncolytic virus developed by Jennerex that is designed to selectively target and destroy cancer cells. Results of the phase IIa study on late stage HCC patients has just been published in latest Nature Medicine, a prestige peer review medical journal.

The inauguration of new research and development centre signifies the Group's commitment to new drugs development. During the period, the Group also realigned its priority in drug development by focusing on 12 proprietary programs that address highly unmet medical needs in five therapeutics areas such as cardiovascular, oncology, gynecology, dermatology and ophthalmology.

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 has submitted the new indication application to the China SFDA to further differentiate *Carnitene*® from its competitors.

The Group's commitment to innovation has been recognized by its peers, highlighted by the winning of two prestige technology award. The Group won the 2012 Hong Kong Awards for Industries: Technology Achievement Award in respect of its first-in-class anti-platelet drug *Declotana*® (Anfibatide). The award is one of the most highly regarded honors in Hong Kong for technology-based enterprises. It represented distinguished recognition for the effort of the Group in technology innovation. In August, the self-developed drug *Slounase*®, has also been designated by The Ministry of Science and Technology of the PRC as the "2012 National Key New Product". *Slounase*® is the first pharmaceuticals being selected as National Key New Product in Anhui province. The award is recognition of the Group's capability in research and development of new drug and testimony to the product's quality and therapeutic potential. The designation is a prestige honor in China and will enhance *Slounase*®'s competitiveness in the market place.

Imported products registration

Hyalofemme®, a medical device for vaginal dryness of various origin, received marketing approval from China SFDA in January 2012 and it has been launched since the third quarter of 2012. Results of the clinical study carried out by the Group in China has shown that *Hyalofemme*® is as effective as hormone replacement therapy in alleviating symptoms but devoid of unwanted side effects caused by hormone. The product will provide alternative option to help improve the quality of life for woman suffered from vaginal dryness.

In March 2012, the Group also received approval to conduct registration study of Prulifloxacin for the treatment of respiratory tract and urinary tract infections. The clinical study is underway now and is expected to complete early next year.

The registration study for Trazodone has progressed right on target with more than four fifth of patients being enrolled. Patient enrollment is targeted to finish before end of April and filing to China SFDA for marketing authorization is scheduled to be made before the end of third quarter of 2013.

The applications of Imported Drug License of other five products have been under review during the year. The process is moving forward with positive discussions and interactions with the China SFDA. Approvals for some of those products are expected in 2013.

International partnerships

In the first quarter of 2012, the Group entered into a definitive licensing and development agreement with PLx Pharma, a privately held US biotechnology company. Under the agreement, the Group will develop, manufacture and market a GI safer Aspirin in China for the prevention of cardiovascular diseases. PLx Pharma has submitted the NDA of this product to US FDA and the application is currently under active review. Aspirin is widely used for prevention of stroke and heart attack for patients who are considered with higher risk. However, unwanted GI effect has been a deterrent for wider use of the product. A GI safer Aspirin could potentially expand the clinical benefits offered by this proven product, including the prevention of cancer.

The Group acquired a license from RegeneRx Biopharmaceuticals, Inc., a public traded biotechnology company in US for the development and selling of Thymosin Beta 4. One of the Group's growing focused areas is ophthalmology. Currently, the Group has one product *Eyprotor*® launched into the market in China and several products are under development. The Group's ophthalmology products are positioned to treat eye problem with significant unmet medical needs that include dry eye, cornea ulcer, uveitis and glaucoma, etc. The entering into of the license agreement will expand the variety of the type of products the Group offers and help the building of an ophthalmology franchise.

During the year, the Group also expanded its partnership with Sigma-Tau by licensing three phase II enabling assets from them for China development. Both Rostafuroxin and Istaroxime are targeting cardiovascular diseases while Gimatecan is chemotherapy agent that has demonstrated good efficacy against malignancy such as ovarian cancer.

Sales and marketing

In spite of a challenging environment pertained to price cut and adjustment in distribution system, the Group's major products, driven by strengthening the sales force and intensifying the knowledge-based promotion campaign, outperformed its competitors in 2012 with improved market shares.

The building of the Group's direct sales force entered second year with steady improvement. While the Group continued to expand its sales force, it has also undertaken an endeavor to put quality ahead of quantity, making competitiveness as its priority. Compared with 2011, the number of medical representatives for 2012 remained unchanged but the direct sales for 2012 increased 35% over last year and contributed to 15% of the overall turnover. On the other hand, the extensive distributor network of the Group was put to the test in 2012. The change of government policy regarding pharmaceutical distribution demanded adjustment and adaptation for both the distributors and the Group's sales force. A slew of actions were taken to proactively help the distributors transform themselves and improve their competitiveness in the market place.

The change in the industry also commanded knowledge-based promotion to more prominent level. In its implacable drive to "brand building", the Group focused on differentiation pertained to product quality and service in the market place. Through participation in major medical conferences such as "Great Wall Cardiovascular Conference" and organization of Sino-Foreign medical seminar tour and training programs, the Group highlighted the scientific evidence behind its products and underlined its commitment to product quality. In addition, the Group is a fervent disciple of evidence-based medicine and has continued to invest in clinical study for launched products. Having completed the *Yallaferon*® study, the Group initiated and completed a clinical study on *Zanidip*®, an anti-hypertension drug licensed from Recordati of Italy. The trial was a multicentre, randomized and comparator controlled study with a targeted enrollment of 318 patients. The study results are expected in the second quarter of 2013 that could shed lights on the drug's efficacy and safety profile in Chinese patients, providing better guidance for doctors' prescription of the product. The Group has also partnered with China Hypertension League as a major sponsor to their 5000 patients Sino-Europe hypertension study. This landmark study will run for four years with an aim to understand the relationship between control of blood pressure and clinical outcomes such as stroke and heart attack. The study could deepen our understanding of hypertension and change the paradigm of hypertension management.

The devotion to knowledge-based promotion and evidence-based medicine positions the Group as a valued partner to the medical community in China for addressing unmet medical needs.

Corporate Development

The Group also had a prolific year in corporate development front in 2012. At the Group level, it issued 48,485,000 ordinary shares by placement to a reputable private equity fund in China. The net proceeds of placement of amount of HK$152 million will be used for general working capital to improve the existing business and future investment purposes of the Group. More importantly, the partnership allows the company's access to the new shareholder's unique knowledge, experiences, network and perspective in the industry.

A new subsidiary, CVie Therapeutics Company Limited ("CVie"), also formed in 2012 with a blue chip US venture fund which provided US$4,000,000 capital fund for the development of two license-in drugs Rostafuroxin and Istaroxime. The establishment of CVie, a cardiovascular focused drug development company, highlights the group's commitment to new drug development. Rostafuroxin and Istaroxime are proprietary drugs under phase II development and 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. Such effort is aimed to accelerate the development of the Group's robust pipeline.

Internally, the Group recruited aggressively to better cope with the expansion and bring new energy into the company. Both Dr. Bianchi and Dr. Lau had joined the company as Chief Scientific Officer and Senior Director for Development. Together, they bring more than 50 years of experiences and multitude of knowledge in new drug development into the Group. Two other senior executives were also enlisted by the company to head both corporate development and human resources, reshaping the management team with professionalism and heightening responsibility and accountability.

PROSPECTS

The Group remains upbeat on its prospect and is enthralled to deliver better return to its shareholders in the future.

With the last round of price cut in early January 2013, at least for the time being, one of the uncertainty rattled the pharmaceutical industry in 2012 has been lifted. The confusion caused by adjustment and adaptation of industry to the new regulations regarding distribution has also more or less been ebbed. The auspicious market conditions could accelerate the growth of the industry.

The hospital traffics in China keep marching upward and the demand for pharmaceuticals in the hospital level remain strong. The healthcare industry is expected to attain high double digit growth in the next ten years. Certain diseases such as acute cardiovascular syndrome and malignancy have become more prevalent and significant medical needs remain unmet.

The adoption of new GMP standard mandated by the China SFDA will also alter the landscape of the industry. The new stringent requirements in production and quality system will facilitate the consolidation of industry and favor player that is strong and able to invest in maintaining competitiveness in the market place.

It is also expected that a majority of provinces will start a new round of tender process in the next 6 to 9 months, providing opportunity for newly launch products. As six of the Group's 12 products have been launched less than three years, the availability of the tender participation will facilitate the market penetration for the newer products and serve as catalyst for future growth.

Several of the Group's products are under final review for Imported Drug License application. It is expected some of them be approved in the near future. The imminent approval may not have instant revenue impact, but could create excitement in the market place for both new and existing products of the Group.

Both external and internal conditions for the industry are propitious in the near future that could propel the Group's development to a new height.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	**2012**	2011
		HK$'000	*HK$'000*
Turnover	3	**534,333**	399,685
Cost of sales		**(153,498)**	(107,852)
Gross profit		**380,835**	291,833
Other revenue		**12,385**	5,881
Gain on deemed disposal of associates		**–**	6,441
Selling and distribution expenses		**(179,512)**	(156,437)
Research and development expenses		**(16,304)**	(11,835)
Administrative expenses		**(63,042)**	(37,090)
Profit from operations		**134,362**	98,793
Share of results of associates		**–**	(273)
Finance costs		**(1,192)**	(768)
Profit before taxation		**133,170**	97,752
Taxation	4	**(20,104)**	(13,728)
Profit for the year		**113,066**	84,024
Attributable to:			
Shareholders of the Company		**113,807**	83,906
Non-controlling interests		**(741)**	118
		113,066	84,024
		HK cents	*HK cents*
Earnings per share			
Basic	6	**22.82**	17.90
Diluted	6	**22.38**	17.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**113,066**	84,024
Other comprehensive income (expenses):		
Exchange differences on translation of:		
– Financial statements of overseas subsidiaries	**4,267**	4,613
– Revaluation of overseas buildings	**56**	162
Release of share of other reserves of associates	**–**	(5,855)
Other comprehensive income (expenses) for the year, net of tax	**4,323**	(1,080)
Total comprehensive income for the year	**117,389**	82,944
Total comprehensive income (expenses) for the year attributable to:		
Shareholders of the Company	**118,127**	82,811
Non-controlling interests	**(738)**	133
	117,389	82,944

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000*
Non-current Assets			
Property, plant and equipment		**128,814**	47,303
Intangible assets		**127,156**	87,297
Lease premium for land		**15,157**	7,514
Goodwill		**3,900**	3,900
Available-for-sale financial asset		**9,660**	8,165
		284,687	154,179
Current Assets			
Lease premium for land		**324**	164
Inventories		**64,071**	35,004
Trade receivables	7	**71,469**	58,342
Other receivables, deposits and prepayments		**33,573**	25,890
Advance to related party		**6,505**	–
Pledged bank deposits		**2,000**	2,003
Time deposits		**175,313**	40,896
Cash and bank balances		**158,589**	93,598
		511,844	255,897
Current Liabilities			
Trade payables	8	**29,111**	9,105
Other payables		**94,760**	46,866
Obligations under license contract		**3,683**	–
Derivative financial instrument		**–**	136
Bank borrowings		**31,483**	17,160
Obligations under finance leases		**563**	522
Tax payables		**13,089**	9,708
		172,689	83,497
Net Current Assets		**339,155**	172,400
Total Assets less Current Liabilities		**623,842**	326,579

	Notes	2012 ***HK$'000***	2011 *HK$'000*
Capital and Reserves			
Share capital		**26,055**	23,489
Reserves		**556,101**	288,425
Equity attributable to the shareholders of the Company		**582,156**	311,914
Non-controlling interests		**11,123**	417
Total Equity		**593,279**	312,331
Non-current Liabilities			
Deferred tax liabilities		**13,215**	13,379
Obligations under finance leases		**319**	869
Retirement benefit		**10,891**	–
Obligations under license contract		**6,138**	–
		30,563	14,248
		623,842	326,579

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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	–	–	–	1,456	–	–	–	–	1,456	–	1,456
Exercise of share options	142	5,416	–	(606)	–	–	–	–	4,952	–	4,952
Share of share-based compensation reserve of a subsidiary *(Note a)*	–	–	–	2	–	–	–	–	2	1	3
Issue of ordinary shares by placement	2,424	149,707	–	–	–	–	–	–	152,131	–	152,131
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	203	203
Deemed partial disposal of interests in a subsidiary	–	–	–	–	17,038	–	–	–	17,038	11,240	28,278
Profit (loss) for the year	–	–	–	–	–	–	–	113,807	113,807	(741)	113,066
Other comprehensive income for the year	–	–	–	–	–	56	4,264	–	4,320	3	4,323
Total comprehensive income (expenses) for the year	–	–	–	–	–	56	4,264	113,807	118,127	(738)	117,389
2011 final dividend paid	–	–	–	–	–	–	–	(14,107)	(14,107)	–	(14,107)
2012 interim dividend paid	–	–	–	–	–	–	–	(9,357)	(9,357)	–	(9,357)
At 31 December 2012	26,055	260,656	9,200	3,292	17,038	4,036	14,636	247,243	582,156	11,123	593,279
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	–	–	–	1,204	–	–	–	–	1,204	–	1,204
Exercise of share options	197	2,390	–	(733)	–	–	–	–	1,854	–	1,854
Profit for the year	–	–	–	–	–	–	–	83,906	83,906	118	84,024
Other comprehensive (expense) income for the year	–	–	–	–	(5,855)	162	4,598	–	(1,095)	15	(1,080)
Total comprehensive (expenses) income for the year	–	–	–	–	(5,855)	162	4,598	83,906	82,811	133	82,944
2010 final dividend paid	–	–	–	–	–	–	–	(9,384)	(9,384)	–	(9,384)
2011 interim dividend paid	–	–	–	–	–	–	–	(5,635)	(5,635)	–	(5,635)
At 31 December 2011	23,489	105,533	9,200	2,440	–	3,980	10,372	156,900	311,914	417	312,331

Note a: Share of share-based compensation reserve of a subsidiary was derived from a subsidiary, CVie Therapeutics Company Limited, which has granted Share Options to its employees during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

The accounting policies and methods of computation used in these financial statements are the same as those followed in the presentation of the Group's annual financial statements for the year ended 31 December 2011, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year.

Amendments to HKFRS 1 ***Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters***

Amendments to HKAS 12 ***Deferred Tax: Recovery of Underlying Assets***

Amendments to HKAS 1 ***Presentation of Financial Statements (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)***

Amendments to HKFRS 7 ***Disclosures – Transfers of Financial Assets***

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[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 HKFRS 1	Government loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[3]
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]
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 HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1[2]
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

3. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of good delivered.

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

Proprietary products	–	manufacturing and sales of self-developed pharmaceutical products
Licensed products	–	trading of license-in pharmaceutical products

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Proprietary products		Licensed products		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment turnover	**257,463**	199,876	**276,870**	199,809	**534,333**	399,685
Segment results	**88,206**	60,669	**66,980**	41,106	**155,186**	101,775
Interest income					**1,981**	390
Gain on deemed disposal of associates					**–**	6,441
Unallocated expenses					**(22,805)**	(9,813)
Profit from operations					**134,362**	98,793
Finance costs					**(1,192)**	(768)
Profit before share of result of associates					**133,170**	98,025
Share of results of associates					**–**	(273)
Profit before taxation					**133,170**	97,752
Taxation					**(20,104)**	(13,728)
Profit for the year					**113,066**	84,024

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2011: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, interest income, gain on deemed disposal of associates, finance costs, results of associates, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Proprietary products		Licensed products		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**144,755**	106,733	**315,873**	166,845	**460,628**	273,578
Unallocated assets					**335,903**	136,498
Total assets					**796,531**	410,076
Segment liabilities	**72,997**	28,275	**93,060**	46,383	**166,057**	74,658
Unallocated liabilities					**37,195**	23,087
Total liabilities					**203,252**	97,745

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investment in associates, pledged bank deposits, time deposits and cash and bank balances. Goodwill is allocated to segment of proprietary products. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segment; and

- all liabilities are allocated to reportable segments other than tax payable, deferred tax liabilities, and retirement benefit. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

	Proprietary products		Licensed products		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**8,634**	6,365	**1,744**	1,434	**10,378**	7,799
Amortisation of intangible assets	**287**	619	**3,657**	2,575	**3,944**	3,194
Additions to non-current assets (Property, plant and equipment and intangible assets) during the year	**35,803**	21,956	**102,486**	34,187	**138,289**	56,143
Impairment of intangible assets	**–**	98	**3,752**	4,140	**3,752**	4,238

Geographical information

During the years ended 31 December 2012 and 2011, more than 90% of the Group's turnover was derived from activities conducted in the PRC, no geographical segmental information on turnover is presented. The Group's segment assets and liabilities for the year, analysed by geographical market, are as follows:

	The PRC		**Hong Kong**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**402,494**	167,597	**394,037**	242,479	**796,531**	410,076
Segment liabilities	**148,236**	36,809	**55,016**	60,936	**203,252**	97,745

4. TAXATION

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**8,931**	5,493
PRC Enterprise Income Tax	**8,724**	4,008
Under-provision in prior year	**2,693**	–
	20,348	9,501
Deferred tax		
(Written-back) provision of current year	**(244)**	4,227
	20,104	13,728

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 15% to 25% (2011: 15% – 25%).

5. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Interim dividend paid – HK$0.018 (2011: HK$0.012) per share	**9,357**	5,635
Final dividend proposed – HK$0.04 (2011: HK$0.03) per share	**20,844**	14,093
	30,201	19,728

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2012 of HK4.0 cents per share (2011: HK3.0 cents per share in respect of the year ended 31 December 2011) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting, and is not included as a dividend payable in the consolidated statement of financial position as at 31 December 2012.

6. EARNINGS PER SHARE

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

	THE GROUP	
	2012	2011
Net profit attributable to shareholders of the Company for the purpose of basic and diluted earnings per share	**HK$113,807,000**	HK$83,906,000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**498,634,617**	468,729,725
Effect of dilutive potential ordinary shares:		
Options	**9,816,286**	9,900,651
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**508,450,903**	478,630,376

As per shareholders' agreement ("the Agreement") of Powder Pharmaceutical Incorporated ("PPI") signed on 8 January 2010, the shareholders (except Lee's Pharmaceutical International Limited, a subsidiary of the Group) of PPI 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 PPI could convert 22,066,068 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.

7. TRADE RECEIVABLES

The credit period on sales of goods is 30-120 days. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 365 days because historical experience has been that receivables that are past due beyond 365 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables over 180 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The fair value of the Group's trade receivables at 31 December 2012 approximate to the corresponding carrying amount.

Of the trade receivables balance at the end of the year, HK$27,845,515 (2011: HK$13,540,581) is due from the Group's largest customer. There are no other customers who represent more than 5% of the total balance of trade receivables.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

The following is an aging analysis of trade receivables at both 31 December 2011 and 2012.

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
0-90 days	**63,942**	53,493
91-180 days	**5,184**	3,837
181-365 days	**4,686**	2,024
Over 365 days and under 3 years	**2,565**	1,018
	76,377	60,372
Less: Allowance for bad and doubtful debts	**(4,908)**	(2,030)
	71,469	58,342

Movement in allowance for bad and doubtful debts

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Balance at beginning of the year	**2,030**	650
Exchange rate adjustments	**7**	15
Provision for doubtful debts	**2,871**	1,365
Balance at the end of the year	**4,908**	2,030

8. TRADE PAYABLES

The fair value of the Group's trade payables at 31 December 2012 approximate to the corresponding carrying amount.

The following is an aging analysis of trade payables at 31 December 2012.

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
0-90 days	**29,110**	9,057
91-180 days	**–**	1
181-365 days	**–**	24
Over 365 days	**1**	23
	29,111	9,105

The average credit period on purchases of certain goods is 90 days. The Group has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

FINAL DIVIDEND

The Board of Directors recommended a final dividend of HK$0.04 (2011: HK$0.03) per share to shareholders registered in the Company's Register of Members as at the close of business on 23 May 2013. Upon approval by shareholders, the final dividend will be paid on or about 13 June 2013.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the shareholders of the Company will be held on Thursday, 9 May 2013. The register of members of the Company will be closed from Tuesday, 7 May 2013 to Thursday, 9 May 2013 (both days inclusive), during which period no transfer of shares will be effected for determining the shareholders who are entitled to attend and vote at the meeting. In order to qualify for the right to attend and vote at the above meeting, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 6 May 2013.

The register of members of the Company will be closed from Tuesday, 21 May 2013 to Thursday, 23 May 2013 (both days inclusive), during which period no transfer of shares will be effected for determining the shareholders who are entitled for the proposed final dividend for the year ended 31 December 2012. In order to qualify for the proposed final dividend for the year ended 31 December 2012, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 May 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012 (2011: Nil).

AUDIT COMMITTEE

The Group's audited results for the year ended 31 December 2012 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE PRACTICES

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 year ended 31 December 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.

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

Hong Kong, 20 March 2013

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.