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 2013

BUSINESS REVIEW

Having regained the growth momentum in the first quarter, the Group marched on in greater stride in the second quarter, delivering yet another new pinnacle of quarterly sales and profit. Overall, the first half of 2013 was quite eventful and fulfilling for the Group and it is exciting to see everyone work to improve every facets of Group with alacrity.

In revenue, relentless effort on strengthening the sales organization to expand product reach had propelled the second quarter sales to a new level of HK$186,322,000, topping first quarter sales by 26%. The improvement over the same quarter last year was 28%, albeit the growth of second quarter of 2012 was at a phenomenal pace of 60%. The turnover for the six months ended 30 June 2013 increased by 30.9% over the same period last year. Across the board product growth was the main attribute for the acceleration with seven products achieving double digit growth rate. It was heartening to note that the momentum was generated not only from the older products like *Carnitene*® that jumped 58%, but also from newer products such as *Zanidip*® and *Ferplex*® that leaped by 81% and 45% respectively.

Profit attributable to shareholders for the six months ended 30 June 2013 reached HK$73,754,000 representing increase of 35.4% compared with same period last year despite there was 154% rise in research and development spending for the six months period. The anomaly is due to written off of certain low priority development project cost which is non-recurring in nature and to more investment in promising new development projects. As the gross profit margin held rather steady with only slight improvement of 0.1 percentage point compared to the same period last year, the accretion in profitability was the results of continual betterment of operating efficiency

* *For identification purposes only*

of the Group's sales and marketing organization. Consequently, selling expenses to turnover ratio for the second quarter continued its downward trend from previous quarters and dropped by 1.9 percentage point to 29.7% compared with 31.6% for the first quarter. Selling expenses to turnover ratio for six months ended 30 June 2013 was 30.5%, an impressive 3 percentage point reduction from 33.5% of the same period last year. Overall, the net profit margin for the second quarter reached 22.24%, improved by 0.48 percentage point compared with that of first quarter. Net profit margin for the six months ended 30 June 2013 was 22.0%, up 0.7 percentage point from 21.3% for the same period last year.

With respect to manufacturing, the Group has completed the construction work on its new site in Nansha during the period under review. The total floor area of 57,000 square meter will cater to production areas of different products, including biologics and medical device, research and development center, office and warehouse. It is envisaged that the facility will be filled gradually in stage and eventually becomes the hub for the Group's manufacturing and drug development in China. Meanwhile, the new site in Hefei is entering into machinery installation, test run and validation process phase now. It remains on schedule to meet the deadline of new China GMP certification before the end of year.

In the drug development arena, the achievements during the second quarter were copious. In April, the Group has successfully obtained the Imported Drug Licenses from the China Food and Drug Administration ("CFDA") for United Therapeutics Corporation's product, *Remodulin*® (treprostinil) injection, for the treatment of patients with pulmonary arterial hypertension (PAH). The application was submitted with the fast-track designation in September 2011. *Remodulin*® is a prostacyclin vasodilator that is indicated for treatment of PAH by intravenous and subcutaneous administration, to diminish symptoms associated with exercise. Following the approval, the Group is gearing up the preparation for launch of the product that is expected in fourth quarter of 2013.

In May this year, the Group and Jennerex has completed enrollment of 120 patients in the TRAVERSE study, a global randomized Phase 2b clinical trial evaluating the efficacy and safety of Pexa-Vec (JX-594) for the treatment of advanced primary liver cancer on patients who has failed the treatment of Sorafenib, the only FDA approved drug for liver cancer. The top line data of this proof-of-concept is targeted to be released in November. The preparation of a pivotal phase III study is now underway and will be initiated next year.

Also in May, last patient was enrolled in the Group's phase III registration study for Trazodone (Trittico®) and all follow up visits have since been completed. Data processing and analyzing are in progress. The top line data of the study will be available in August. The Group is expected to have the study report ready in September and subsequent filing of application for Import Drug License in October 2013. Trazodone (Trittico®) is a product licensed from Angelini of Italy and is indicated for depression, a growing medical problem in China. The Group has conducted the 378 patients, registration-enabling in China to evaluate the efficacy and safety of Trazodone for treatment of depression in Chinese population.

With ongoing studies coming to conclusion, new studies are being initiated. The first patient for the phase III, registration-enabling clinical study of Prulifloxacin has been enrolled. The phase III clinical study aims to evaluate its effective and safety using Prulifloxacin film-coating tablets for treatment of acute exacerbation of chronic bronchitis in the Chinese population. The study is targeted to conclude in the first quarter of 2014. The second cohort of phase II study of Anfibatide is also underway. This phase of the study is scheduled to complete before the end of year.

In June, the first patient for Rostafuroxin's global phase IIb clinical study has been enrolled in Italy. Rostafuroxin is endowed of high potency and efficacy in reducing blood pressure and preventing organ hypertrophy in animal model. It is indicated for treatment of newly diagnosed hypertension patients who carry certain genetic profiles representative of adducing and EO-hypertensive mechanisms. Rostafuroxin is the first anti-hypertensive drug that employs pharmacogenomic approach and this personalized treatment of hypertension could signify a shift of paradigm in hypertension management.

In June, the Group has successfully submitted the application for a global Phase II clinical study in China for Istaroxime injection on acute decompensated heart failure. Istaroxime is a first-in-class luso-inotropic agent that possesses a dual mode of action, combing inotropic (myocyte contraction) and Lusitropic (myocyte relaxation) effect. Earlier clinical study had found that Istaroxime does not increase heart rate, minimizes oxygen consumption, is less arrhythmogenic and does not reduce blood pressure. As at least one third of acute decompensated heart failure patients is complicated with hypotension, Istaroxime could fill a significant unmet medical need and provide patients with new treatment option.

In the corporate development and partnership front, the Group has also achieved an important milestone. Powder Pharmaceuticals Incorporated (PPI), an associated company of the Group as from July 2013, has successfully obtained approval from US FDA in July 2013 for the manufacturing facilities in Hong Kong to produce Zingo™ Powder Intradermal Injection system and market the product in US. The GMP manufacturing facility of PPI in Hong Kong is the first and only facility in Hong Kong that has successfully obtained the approval from FDA. It marks a historic moment to Hong Kong pharmaceutical's development as Zingo™ became the first product approved by FDA that manufactured in Hong Kong for US market.

During the quarter under review, the Group had also completed the building of new human resource system to better cope with the Group's fast expansion. This new system is vital for the Group to attain growth sustainability. It will enhance the Group's ability to recruit and retain talent, providing impetus for improvement of each and every aspect of the Group.

PROSPECT

Looking to next quarter and beyond, the Group is optimistic that sales of its existing product will accelerate with the new gained momentum, boosted by a record year of new product approvals.

The successful conclusion of the Group's phase IV clinical study on *Zanidip®* has demonstrated that *Zanidip®* is not only as effective as other calcium channel blocker, but is also more advantageous in maintaining daily blood pressure stability. The better control in blood pressure variability is clinical relevant as cardiovascular events such as stroke is associated with blood pressure fluctuation. These encouraging results provide new catalyst for the increasing acceptance of *Zanidip®* as choice of calcium channel blocker in treatment of hypertension in medical practice in China. A new outcome study is underway to further validate the benefit of Zanidip in reducing cardiovascular events.

In July 2013, the Group has received the approval for its oral Carnitine, making the Group as the only marketer in China with both injection and oral formulation of Carnitine. Carnitine franchise is the key driver of the Group's growth for the last few years and continues to thrive in the market place. The *Carnitene®* brand is well recognized and respected in China now. The availability of oral *Carnitene®* will surely widen the market breadth of Carnitene franchise, complementing to the current success of *Carnitene®* injection.

With two product approvals in as many quarters, the Group has generated greater excitement in the market place, enhancing the brand awareness of the Group's products. As more approval is expected in the rest of 2013, the created positive market dynamic could transcribe into new thrust to propel the growth of the Group into new height.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2013

		For the three months ended 30 June		For the six months ended 30 June	
		2013	2012	**2013**	2012
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Turnover	(2)	**186,322**	145,892	**334,769**	255,781
Cost of sales		**(54,924)**	(41,985)	**(96,542)**	(73,809)
Gross Profit		**131,398**	103,907	**238,227**	181,972
Other revenue		**936**	1,658	**2,727**	6,760
Selling and distribution expenses		**(55,267)**	(44,876)	**(102,206)**	(85,748)
Research and development expenses		**(9,937)**	(2,912)	**(14,401)**	(5,662)
Administrative expenses		**(18,275)**	(22,935)	**(37,406)**	(33,492)
Profit from operations	(4)	**48,855**	34,842	**86,941**	63,830
Finance costs		**(268)**	(258)	**(559)**	(507)
Profit before taxation		**48,587**	34,584	**86,382**	63,323
Taxation	(5)	**(7,234)**	(4,950)	**(12,910)**	(9,079)
Profit for the period		**41,353**	29,634	**73,472**	54,244
Attributable to:					
Shareholders of the Company		**41,444**	29,863	**73,754**	54,472
Non-controlling interests		**(91)**	(229)	**(282)**	(228)
		41,353	29,634	**73,472**	54,244
		HK cents	*HK cents*	***HK cents***	*HK cents*
Earnings per share					
Basic	(7)	**7.94**	6.17	**14.14**	11.42
Diluted	(7)	**7.48**	6.04	**13.33**	11.18

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the three months ended 30 June		**For the six months ended 30 June**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period	**41,353**	29,634	**73,472**	54,244
Other comprehensive income (expenses):				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of:				
– Financial statements of overseas subsidiaries	**3,428**	(2,302)	**4,159**	(1,590)
– Revaluation of overseas buildings	**48**	(29)	**58**	(32)
Other comprehensive income (expenses) for the period, net of tax	**3,476**	(2,331)	**4,217**	(1,622)
Total comprehensive income for the period	**44,829**	27,303	**77,689**	52,622
Total comprehensive income (expenses) attributable to:				
Shareholders of the Company	**44,918**	27,536	**77,969**	52,853
Non-controlling interests	**(89)**	(233)	**(280)**	(231)
	44,829	27,303	**77,689**	52,622

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**30 June 2013** **HK$'000** **(unaudited)**	31 December 2012 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	(8)	**164,989**	128,814
Intangible assets		**175,758**	127,156
Lease premium for land		**15,199**	15,157
Goodwill		**3,900**	3,900
Available-for-sales financial assets		**17,542**	9,660
		377,388	284,687
Current assets			
Lease premium for land		**329**	324
Inventories		**106,868**	64,071
Trade receivables	(9)	**75,532**	71,469
Other receivables, deposits and prepayments		**63,775**	33,573
Derivative financial instruments		**122**	–
Advance to related party		**12,177**	6,505
Pledged bank deposits		**2,000**	2,000
Time deposits		**102,062**	175,313
Cash and bank balances		**142,545**	158,589
		505,410	511,844
Current liabilities			
Trade payables	(10)	**28,364**	29,111
Other payables		**94,716**	94,760
Obligations under license contracts		**3,643**	3,683
Obligation under finance leases		**250**	563
Tax payables		**12,399**	13,089
Bank borrowings	(11)	**26,620**	31,483
		165,992	172,689
Net current assets		**339,418**	339,155
Total assets less current liabilities		**716,806**	623,842

	Notes	**30 June 2013** *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Capital and reserves			
Share capital	(12)	**26,106**	26,055
Reserves		**628,158**	556,101
Equity attributable to shareholders of the Company		**654,264**	582,156
Non-controlling interests	(13)	**22,518**	11,123
Total equity		**676,782**	593,279
Non-current liabilities			
Deferred tax liabilities		**13,648**	13,215
Obligations under license contracts		**8,602**	6,138
Obligation under finance leases		**22**	319
Retirement benefit		**17,752**	10,891
		40,024	30,563
		716,806	623,842

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	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 2013 (audited)	26,055	260,656	9,200	3,292	17,038	4,036	14,636	247,243	582,156	11,123	593,279
Employee share option benefits	–	–	–	1,417	–	–	–	–	1,417	–	1,417
Exercise of share options	51	2,284	–	(347)	–	–	–	–	1,988	–	1,988
Share options lapsed	–	–	–	(2)	–	–	–	–	(2)	–	(2)
Share of share-based compensation reserve of a subsidiary *(Note a)*	–	–	–	15	–	–	–	–	15	5	20
Deemed partial disposal of interest in a subsidiary *(Note 14)*	–	–	–	–	11,592	–	–	–	11,592	11,670	23,262
Profit (loss) for the period	–	–	–	–	–	–	–	73,754	73,754	(282)	73,472
Other comprehensive income for the period	–	–	–	–	–	58	4,157	–	4,215	2	4,217
Total comprehensive income (expenses) for the period	–	–	–	–	–	58	4,157	73,754	77,969	(280)	77,689
2012 final dividend paid	–	–	–	–	–	–	–	(20,871)	(20,871)	–	(20,871)
At 30 June 2013 (unaudited)	26,106	262,940	9,200	4,375	28,630	4,094	18,793	300,126	654,264	22,518	676,782
At 1 January 2012 (audited)	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 (loss) 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 (expenses) 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 (unaudited)	25,936	255,386	9,200	3,042	–	3,948	8,785	197,265	503,562	390	503,952

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 in 2012.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**15,331**	88,852
Net cash used in investing activities	**(82,033)**	(49,812)
Net cash (used in) generated from financing activities	**(24,356)**	157,192
Net (decrease) increase in cash and cash equivalents	**(91,058)**	196,232
Cash and cash equivalents at beginning of the period	**333,902**	134,494
Effect of foreign exchange rate changes	**1,763**	(599)
Cash and cash equivalents at end of the period	**244,607**	330,127
Analysis of balance of cash and cash equivalents		
Cash and bank balances	**142,545**	155,414
Time deposits	**102,062**	174,713
	244,607	330,127

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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("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").

The condensed consolidated 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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 34	Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle)
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle except for the amendments to HKAS 1

2. TURNOVER

The principal activities of the Group are development, manufacturing and trading 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 2013.

	Proprietary products		**License-in products**		**Consolidated**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment turnover	**145,981**	134,606	**188,788**	121,175	**334,769**	255,781
Segment results	**50,485**	49,390	**52,632**	24,229	**103,117**	73,619
Interest income					**771**	450
Unallocated expenses					**(16,947)**	(10,239)
Profit from operations					**86,941**	63,830
Finance costs					**(559)**	(507)
Profit before taxation					**86,382**	63,323
Taxation					**(12,910)**	(9,079)
Profit for the period					**73,472**	54,244

Geographical segments

During the six months ended 30 June 2013 and 2012, 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

	For the three months ended 30 June		For the six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit from operations has been arrived at after charging (crediting):				
Depreciation of property, plant and equipment	**2,793**	2,482	**5,464**	4,906
Amortisation of lease premium for land	**95**	45	**176**	86
Amortisation of intangible assets	**1,729**	859	**2,427**	1,799
Total depreciation and amortisation	**4,617**	3,386	**8,067**	6,791
(Over) provision for bad and doubtful debts	**(1,637)**	425	**(1,186)**	1,454

5. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax				
Hong Kong Profits Tax	**3,497**	(1,305)	**7,460**	–
PRC Enterprise Income Tax	**3,930**	3,022	**5,273**	5,667
Over provision in prior year	**(3)**	–	**(142)**	–
	7,424	1,717	**12,591**	5,667
Deferred tax				
(Written-back) provision of current period	**(190)**	3,233	**319**	3,412
	7,234	4,950	**12,910**	9,079

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit in Hong Kong.

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

6. DIVIDENDS

	For the three months ended 30 June		For the six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interim dividend declared of HK$0.023 (2012:HK$0.018) per ordinary share based on issued share capital at the end of the reporting period	**12,009**	9,337	**12,009**	9,337

Interim dividend will be payable on 17 October 2013 to shareholders registered in the Company's Register of Members as at the close of business on 19 September 2013. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed statement of financial position.

2012 final dividend of HK$0.04 per share, totalling HK$20,871,000 was paid in June 2013.

7. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2013	2012	**2013**	2012
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Net profit attributable to shareholders of the Company for the purpose of basic and diluted earnings per share	**HK$41,444,000**	HK$29,863,000	**HK$73,754,000**	HK$54,472,000
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**521,813,503**	484,088,294	**521,593,525**	477,007,497
Effect of dilutive potential ordinary shares:				
Options	**11,729,692**	10,356,350	**11,585,031**	10,038,215
Contingent share arrangement	**20,162,391**	–	**20,162,391**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**553,705,586**	494,444,644	**553,340,947**	487,045,712

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2013, additions to property, plant and equipment amount to HK$39.99 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 2013 approximates to the corresponding carrying amount.

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

	30 June 2012	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-90 days	**69,653**	63,942
91-180 days	**4,495**	5,184
181-365 days	**2,768**	4,686
Over 365 days and under 3 years	**2,357**	2,565
	79,273	76,377
Less: Allowance for bad and doubtful debts	**(3,741)**	(4,908)
	75,532	71,469

10. TRADE PAYABLES

The fair value of the Group's trade payables as at 30 June 2013 approximates to the corresponding carrying amount.

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-90 days	**28,362**	29,110
91-180 days	**2**	–
181-365 days	**–**	–
Over 365 days	**–**	1
	28,364	29,111

11. BANK BORROWINGS

	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Carrying amount of the borrowings are repayable:		
Within one year	**8,301**	8,995
More than one year but not exceeding two years	**6,940**	7,877
More than two years but not more than five years	**11,379**	14,611
	26,620	31,483

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

The effective interest rates of the bank borrowings range from 3% to 4% per annum.

12. SHARE CAPITAL

	Number of ordinary shares of HK$0.05 each	Amount HK$'000
Authorised:		
At 30 June 2013 and 31 December 2012	1,000,000,000	50,000

Issued and fully paid:

	Number of ordinary shares of HK$0.05 each		Amount	
	Six months ended 30 June 2013 (Unaudited)	Year ended 31 December 2012 (Audited)	Six months ended 30 June 2013 (Unaudited) HK$'000	Year ended 31 December 2012 (Audited) HK$'000
At beginning of the period	**521,104,437**	469,770,437	**26,055**	23,489
Exercise of share options	**1,015,000**	2,849,000	**51**	142
Issue of ordinary shares by placement	**–**	48,485,000	**–**	2,424
At end of the period	**522,119,437**	521,104,437	**26,106**	26,055

13. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries *HK$'000*	Share-based compensation reserve of subsidiary *HK$'000*	Total *HK$'000*
At 1 January 2013 (audited)	11,122	1	11,123
Additional non-controlling interests arising from deemed partial disposal of interest in a subsidiary *(Note 14)*	11,670	–	11,670
Share of loss for the year	(282)	–	(282)
Share of other comprehensive income for the year	2	–	2
Share of employee share options benefit	–	5	5
At 30 June 2013 (unaudited)	22,512	6	22,518
At 1 January 2012 (audited)	417	–	417
Capital contribution	203	–	203
Additional non-controlling interests arising from deemed partial disposal of interest in a subsidiary	11,240	–	11,240
Share of loss for the year	(741)	–	(741)
Share of other comprehensive income for the year	3	–	3
Share of employee share options benefit	–	1	1
At 31 December 2012 (audited)	11,122	1	11,123

14. DEEMED PARTIAL DISPOSAL OF INTEREST IN A SUBSIDIARY

On 4 March 2013, CVie Therapeutics Company Limited ("CVie") issued 1,200,000 shares to Ivy Blue Holdings Limited ("Ivy Blue") at consideration of US$3 million. After the issue of shares, the Group's shareholding in CVie was reduced by 8.97% to 70.98%. As the Group retained control over CVie, the Group recognised a gain on deemed partial disposal of interests in CVie of approximate HK$11,592,000 in the equity attributable to the shareholders of the Company, and an increase in non-controlling interests of approximate HK$11,670,000 for the shares in CVie at time of deemed partial disposal during the reporting period. Thus, Ivy Blue was the substantial shareholder of CVie when new shares were issued and was the connected party to the Group.

15. RELATED PARTY TRANSACTIONS

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

(a) Purchase from Sigma-Tau Group

Name of related party	Nature of transaction	For the six months ended 30 June **2013** ***HK$'000*** **(unaudited)**	2012 *HK$'000* (unaudited)
Sigma-Tau Group	Purchase of pharmaceutical product	**60,180**	15,645

Besides, the Group purchased experimental products (products for use in R&D) from Sigma-Tau Group of HK$2,135,000 (six months ended 30 June 2012: HK$Nil).

(b) Loans to related party

On 4 January 2013, the Group and Powder Pharmaceuticals Incorporated ("PPI") entered into a Loan Agreement, in which the Group agrees to advance a Shareholder Loan of HK$8,000,000 to PPI at interest rate of 4% per annum, for one year commencing from the Advance Date

On 19 June 2013, the Group and PPI entered in to a Supplemental Agreement, in which the Group agrees to extend the term for the Shareholder Loan granted on 23 July 2012 for further one year, and increase the principal amount up to US$520,000 (approximately HK$4,032,000). The interest rate remains at 4% per annum.

(c) Compensation of directors of the Group

	For the six months ended 30 June **2013** ***HK$'000*** **(unaudited)**	2012 *HK$'000* (unaudited)
Short-term employee benefits	**8,128**	4,592
Share-based payments	**389**	306
Retirement and other post-employment benefits	**6,884**	4,298
	15,401	9,196

16. CAPITAL COMMITMENTS

	30 June 2013 *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
Intangible assets – license fee and development cost	**25,473**	20,603
Property, plant and equipment	**2,739**	9,083
Construction contracts	**76,136**	98,363
	104,348	128,049

17. PLEDGED OF ASSETS

As at 30 June 2013, the Group has pledged bank deposit of HK$2,000,000 (31 December 2012: HK$2,000,000) 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$579,083 (31 December 2012: HK$1,533,531).

18. EVENTS AFTER THE END OF THE INTERIM PERIOD

(a) Issue of shares of the Company in exchange of equity interest in Powder Pharmaceuticals Incorporated

On 2 July 2013, the Company, pursuant to the Shareholders' Agreement, issued 15,166,667 shares to China Opportunity S.A. Sicar ("China Opportunity") in exchange for China Opportunity's 21,570 Subscription Shares in Powder Pharmaceuticals Incorporated ("PPI"). The further detail of this Share Transaction is set out in the announcements of the Company dated 24 April 2013 and 23 May 2013.

As a result, the equity interest in PPI held by the Company becomes 39.65%, PPI and its group become associates of the Company.

(b) Shareholder Loan

On 23 July 2013, the Group and PPI entered into the Shareholder Loan Agreement, pursuant to which, the Group agrees to advance the Shareholder Loan in the principal amount of HK$4,000,000 to PPI at an interest rate 4% per annum for one year commencing from the Advance Date.

(c) Series B Shares Purchase Agreement of CVie Therapeutics Company

On 12 August 2013, CVie Therapeutics Company ("CVie"), China Cardiovascular Focus Limited ("CCF"), Ivy Blue Holdings Limited ("IBHL") , Lilly Asian Ventures Fund II, L.P. ("LAV") and CDIB Venture Capital Corporation ("CDIB") respectively entered into the Series B Shares Purchase Agreement.

The Company holds 7,595,238 Ordinary shares, representing 70.98% of the total issued share capital of CVie (on an as converted basis) currently. Immediately after the Series B Closing, the Company's equity interest in CVie will be reduced to 56.26% of the total issued share capital of CVie (on as an enlarged basis by taking into account the issuance of the Series B Shares an on an as converted basis, and on the assumption that no share option is exercised under the Share Plan) as at the date of the Series B Closing. CVie will continue to be a subsidiary of the Group after Series B Shares Purchase.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorized based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 (Highest level): fair value measured are those derived from quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured are those derived from inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 (Lowest level): fair values measured are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2013				**THE GROUP**
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial Asset				
Derivative financial instrument	**–**	**122**	**–**	**122**

At 31 December 2012				THE GROUP
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial Asset				
Derivative financial instrument	–	–	–	–

The fair value of derivative financial instrument is determined based on the quoted market prices for equivalent instruments at the end of the reporting period.

There were no transfers between Levels 1 and 2 in the current year.

Foreign currency forward contract classified as derivative financial instruments in the statement of financial position. Fair value as at 30 June 2013 is HK$122,000 (31 December 2012: HK$Nil) and the hierarchy is Level 2. Valuation techniques and key inputs is discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. There is neither significant unobservable inputs nor relationship of unobservable inputs to fair value.

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 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 18 September 2013 to Thursday, 19 September 2013 (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 Tuesday, 17 September 2013. Interim dividend will be payable on 17 October 2013 to shareholders registered in the Company's Register of Members as at the close of business on 19 September 2013.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 30 June 2013 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.

The audit committee of the Company has reviewed with the management and auditors this unaudited interim report for the six months ended 30 June 2013 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 2013, 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.

On behalf of the Board
Lee Siu Fong
Chairman

Hong Kong, 28 August 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.