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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHT

	For the year ended 31 December		Change
	2018	2017	
	HK$'000	*HK$'000*	
Revenue	**1,137,626**	1,008,522	+12.8%
Gross profit	**746,371**	682,404	+9.4%
Profit attributable to the owners of the Company	**418,269**	232,559	+79.9%
	HK cents	*HK cents*	
Earnings per share			
Basic	**70.67**	39.38	+79.5%
Diluted	**70.28**	39.26	+79.0%

The board of Directors recommends the payment of final dividend of HK8.4 cents (2017: HK7.0 cents) per ordinary share for the year ended 31 December 2018.

* *For identification purpose only*

ANNUAL RESULTS

The directors (the "**Directors**") of Lee's Pharmaceutical Holdings Limited (the "**Company**") are pleased to present the results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2018 and the comparative figures as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Revenue	2	**1,137,626**	1,008,522
Cost of sales		**(391,255)**	(326,118)
Gross profit		**746,371**	682,404
Other income		**52,069**	31,756
Other gains and losses, net		**239,156**	20,753
Selling and distribution expenses		**(221,740)**	(214,150)
Administrative expenses		**(188,926)**	(157,186)
Net provision for impairment loss on financial assets		**(6,823)**	(1,692)
Research and development expenses		**(153,171)**	(85,057)
Profit from operations		**466,936**	276,828
Finance costs		**(4,710)**	(4,256)
Share of results of associates		**(15,842)**	(14,944)
Profit before taxation		**446,384**	257,628
Taxation	3	**(56,621)**	(54,689)
Profit for the year		**389,763**	202,939
Attributable to:			
Owners of the Company		**418,269**	232,559
Non-controlling interests		**(28,506)**	(29,620)
		389,763	202,939
		HK cents	*HK cents*
Earnings per share	5		
Basic		**70.67**	39.38
Diluted		**70.28**	39.26

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**389,763**	202,939
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(48,269)**	66,005
Fair value changes of available-for-sale financial assets	**–**	(17,705)
Reclassification of other reserves upon deemed disposal of a subsidiary	**–**	(19,576)
Reclassification of exchange reserve upon deemed disposal of a subsidiary	**–**	(94)
Reclassification of other reserves upon deemed disposal of an associate	**428**	–
Share of other comprehensive income of associates	**(1,287)**	859
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes of financial assets at fair value through other comprehensive income	**71,138**	–
Other comprehensive income for the year, net of tax	**22,010**	29,489
Total comprehensive income for the year	**411,773**	232,428
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**433,130**	261,170
Non-controlling interests	**(21,357)**	(28,742)
	411,773	232,428

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Non-current Assets			
Property, plant and equipment		**608,639**	565,662
Intangible assets		**587,049**	448,638
Lease premium for land		**132,024**	142,520
Goodwill		**3,900**	3,900
Interests in associates		**27,623**	87,363
Available-for-sale financial assets		**–**	203,123
Financial assets at fair value through profit or loss		**36,362**	–
Financial assets at fair value through other comprehensive income		**606,415**	–
		2,002,012	1,451,206
Current Assets			
Lease premium for land		**2,913**	3,077
Inventories		**211,673**	160,637
Trade receivables	*6*	**149,495**	85,801
Other receivables, deposits and prepayments		**98,639**	101,320
Convertible instrument		**–**	3,165
Advance to associates		**38,713**	24,639
Loan receivables		**26,990**	–
Tax recoverable		**–**	11,532
Held-to-maturity financial assets		**–**	5,826
Pledged bank deposits		**46,524**	27,915
Time deposits		**207,298**	175,416
Cash and bank balances		**222,296**	273,990
		1,004,541	873,318
Current Liabilities			
Trade payables	*7*	**66,079**	26,148
Other payables		**447,757**	285,591
Bank and other borrowings		**129,234**	99,004
Obligations under finance leases		**858**	485
Tax payables		**32,897**	19,857
		676,825	431,085
Net Current Assets		**327,716**	442,233
Total Assets less Current Liabilities		**2,329,728**	1,893,439

	2018 *HK$'000*	2017 *HK$'000*
Capital and Reserves		
Share capital	**29,601**	29,547
Reserves	**2,180,942**	1,774,799
Equity Attributable to the Owners of the Company	**2,210,543**	1,804,346
Non-controlling interests	**27,526**	(7,414)
Total Equity	**2,238,069**	1,796,932
Non-current Liabilities		
Deferred tax liabilities	**27,895**	39,981
Retirement benefits	**62,982**	56,010
Obligations under finance leases	**782**	516
	91,659	96,507
	2,329,728	1,893,439

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to the owners of the Company										
	Share capital	Share premium	Merger difference	Share-based compensation reserve	Other reserves	Investments 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 2018	29,547	724,868	9,200	15,368	41,407	(30,421)	(31,809)	1,046,186	1,804,346	(7,414)	1,796,932
Employee share option benefits	-	-	-	4,996	-	-	-	-	4,996	-	4,996
Exercise of share options	54	6,903	-	(1,582)	-	-	-	-	5,375	-	5,375
Share of share-based compensation reserve of a subsidiary	-	-	-	22	-	-	-	-	22	18	40
Share of reserve of an associate	-	-	-	-	57	-	-	-	57	-	57
Share options lapsed in an associate	-	-	-	-	(3)	-	-	3	-	-	-
Share options lapsed in a subsidiary	-	-	-	(143)	-	-	-	143	-	-	-
Gain on partial disposal of interests in a subsidiary	-	-	-	-	24,185	-	-	-	24,185	(4,024)	20,161
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	60,303	60,303
Profit (loss) for the year	-	-	-	-	-	-	-	418,269	418,269	(28,506)	389,763
Other comprehensive (expense) income for the year											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(48,427)	-	(48,427)	158	(48,269)
- Share of other comprehensive income of associates	-	-	-	-	(1,287)	-	-	-	(1,287)	-	(1,287)
- Reclassification of other reserves upon deemed disposal of an associate	-	-	-	-	428	-	-	-	428	-	428
- Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	64,147	-	-	64,147	6,991	71,138
Total comprehensive (expense) income for the year	-	-	-	-	(859)	64,147	(48,427)	418,269	433,130	(21,357)	411,773
2017 final dividend paid	-	-	-	-	-	-	-	(41,439)	(41,439)	-	(41,439)
2018 interim dividend paid	-	-	-	-	-	-	-	(20,129)	(20,129)	-	(20,129)
At 31 December 2018	29,601	731,771	9,200	18,661	64,787	33,726	(80,236)	1,403,033	2,210,543	27,526	2,238,069

	Attributable to the owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Merger difference *HK$'000*	Share-based compensation reserve *HK$'000*	Other reserves *HK$'000*	Investments revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Attributable to non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2017	29,503	721,154	9,200	11,671	59,512	(12,716)	(96,842)	880,244	1,601,726	32,990	1,634,716
Employee share option benefits	-	-	-	4,440	-	-	-	-	4,440	-	4,440
Exercise of share options	44	3,714	-	(766)	-	-	-	-	2,992	-	2,992
Share of share-based compensation reserve of a subsidiary	-	-	-	23	-	-	-	-	23	17	40
Share of reserve of associates	-	-	-	-	56	-	-	-	56	-	56
Share options lapsed in associate	-	-	-	-	(110)	-	-	110	-	-	-
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(12,577)	(12,577)
Gain on partial disposal of interests in a subsidiary	-	-	-	-	666	-	-	-	666	(666)	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,564	1,564
Profit (loss) for the year	-	-	-	-	-	-	-	232,559	232,559	(29,620)	202,939
Other comprehensive (expense) income for the year											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	65,127	-	65,127	878	66,005
- Fair value changes of available-for-sale financial assets	-	-	-	-	-	(17,705)	-	-	(17,705)	-	(17,705)
- Reclassification of other reserves upon deemed disposal of a subsidiary	-	-	-	-	(19,576)	-	-	-	(19,576)	-	(19,576)
- Reclassification of exchange reserve upon deemed disposal of a subsidiary	-	-	-	-	-	-	(94)	-	(94)	-	(94)
- Share of other comprehensive income of associates	-	-	-	-	859	-	-	-	859	-	859
Total comprehensive income (expense) for the year	-	-	-	-	(18,717)	(17,705)	65,033	232,559	261,170	(28,742)	232,428
2016 final dividend paid	-	-	-	-	-	-	-	(46,635)	(46,635)	-	(46,635)
2017 interim dividend paid	-	-	-	-	-	-	-	(20,092)	(20,092)	-	(20,092)
At 31 December 2017	29,547	724,868	9,200	15,368	41,407	(30,421)	(31,809)	1,046,186	1,804,346	(7,414)	1,796,932

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies and method of computation used in these consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2017 except as described below.

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Accounting Standards ("**HKASs**") and Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant for the preparation of the Group's consolidated financial statements.

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

Except as described below, the application of the new and amendments to HKASs and HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirement for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	HKFRS 9 carrying amount at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Financial assets classified as available-for-sale *(Note a)*	203,123	(203,123)	–
Financial assets classified as held-to-maturity *(Note b)*	5,826	(5,826)	–
Financial assets measured at fair value through other comprehensive income ("FVTOCI") (non-recycling)			
Equity instruments *(Note a (i))*	–	201,826	201,826
Financial assets measured at amortised cost *(Note b)*	608,262	5,826	614,088
Financial assets designated at fair value through profit or loss ("FVTPL") *(Note c)*	3,165	(3,165)	–
Financial assets measured at FVTPL *(Note a (ii))*	–	4,462	4,462
	820,376	–	820,376

(a) Available-for-sale ("AFS") financial assets

(i) From AFS equity instruments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sales. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$201,826,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI, of which HK$112,580,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. There was no difference between the previous carrying amount and the revised carrying amount for the unquoted equity investments at 1 January 2018.

(ii) From AFS investments to FVTPL

At the date of initial application of HKFRS 9, the Group's investments in unlisted warrants of HK$1,297,000 were reclassified from available-for-sale financial assets to financial assets at FVTPL. There was no difference between the previous carrying amount and the revised carrying amount for the unlisted warrants at 1 January 2018.

(b) Held-to-maturity financial assets

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

(c) Financial assets designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the convertible instrument and the portfolio of financial assets which is management and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, the convertible instrument of HK$3,165,000 was reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

The measurement categories for all financial liabilities remain the same.

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

(i) Impairment under ECL model

The Group has trade receivables for sales of products that are subject to the new ECL model under HKFRS 9, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. No additional impairment for trade receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the life time ECLs model is immaterial.

Other financial assets at amortised cost of the Group include loan receivables, advance to associates, cash and cash equivalent, deposits and other receivables (excluding prepayments and other items which were not financial instruments). Applying the ECLs model, no additional impairment for these financial instruments as at 1 January 2018 is recognised as there is no material additional impairment measured under the ECLs model.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, i.e. 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

– Manufacturing and sales of self-developed pharmaceutical products

– Trading of licensed-in pharmaceutical products

Summary of effects arising from initial application of HKFRS 15

The application on HKFRS 15 has no material impact on the Group's retained profits at 1 January 2018. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amount under HKFRS 15 at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Prepayment from customers (presented under other payables)	147,334	(147,334)	–
Contract liabilities (presented under other payables)	–	147,334	147,334

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Contract liabilities are recognised when the payment is made or the payment is due (whichever is earlier), if customers pay consideration, or have a right to an amount of consideration that is unconditional, before the Group transfers goods or service to the customer.

As a result, other than certain reclassifications of contract liabilities, the adoption of HKFRS 15 did not result in any impact to the financial statements as the timing of revenue recognition on sales of products has not changed.

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015 – 2017 Cycle[1]

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

2 Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier application permitted

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

5 Effective for annual periods beginning on or after a date to be determined

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-to-use leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases.

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

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

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

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

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

Segment revenue and results

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

	Proprietary products		Licensed-in products		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**519,557**	464,120	**618,069**	544,402	**1,137,626**	1,008,522
Segment operating results	**250,533**	227,439	**157,706**	167,279	**408,239**	394,718
Research and development expenses	**(7,699)**	(20,326)	**(145,472)**	(64,731)	**(153,171)**	(85,057)
Impairment of intangible assets	**–**	–	**(1,365)**	(52,326)	**(1,365)**	(52,326)
Gain on deemed disposal of a subsidiary	**–**	–	**–**	58,066	**–**	58,066
Segment results	**242,834**	207,113	**10,869**	108,288	**253,703**	315,401
Unallocated income					**257,117**	7,299
Unallocated expenses					**(43,884)**	(45,872)
Profit from operations					**466,936**	276,828
Finance costs					**(4,710)**	(4,256)
Profit before share of results of associates					**462,226**	272,572
Share of results of associates					**(15,842)**	(14,944)
Profit before taxation					**446,384**	257,628
Taxation					**(56,621)**	(54,689)
Profit for the year					**389,763**	202,939

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2017: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned by each segment without allocation of central administration costs including directors' emoluments, transactions with associates, fair value changes of financial assets at FVTPL, interest income, finance costs, share of results of associates, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Segment assets and liabilities

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

	Proprietary products		Licensed-in products		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**457,940**	358,678	**1,852,998**	1,232,755	**2,310,938**	1,591,433
Unallocated assets					**695,615**	733,091
Total assets					**3,006,553**	2,324,524
Segment liabilities	**194,306**	135,039	**321,170**	177,701	**515,476**	312,740
Unallocated liabilities					**253,008**	214,852
Total liabilities					**768,484**	527,592

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

- all assets are allocated to operating segments other than interests in associates, part of lease premium for land and financial assets at fair value through profit or loss, advance to associates, loan receivables, tax recoverable, pledged deposits, time deposits and cash and bank balances. Goodwill is allocated to segment of proprietary products; and

- all liabilities are allocated to operating segments other than bank and other borrowing, tax payables, deferred tax liabilities, and retirement benefits.

Other segment information (included in the measure of segment profit or loss or segment assets or regularly provided to the chief operating decision maker)

	Proprietary products		Licensed-in products		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**30,685**	27,186	**25,002**	17,528	**55,687**	44,714
Amortisation of intangible assets	**–**	–	**9,390**	13,394	**9,390**	13,394
Additions to non-current assets (Property, plant and equipment, and intangible assets) during the year	**127,489**	59,756	**178,359**	207,716	**305,848**	267,472
Impairment of intangible assets	**–**	–	**1,365**	52,326	**1,365**	52,326

Geographical information

During the years ended 31 December 2018 and 2017, more than 90% of the Group's revenue was derived from activities conducted in the PRC, no geographical information on revenue is presented. The Group's assets and liabilities for the year, analysed by geographical market, are as follows:

	The PRC		Hong Kong and others		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Total assets	**2,017,209**	1,549,776	**989,344**	774,748	**3,006,553**	2,324,524
Total liabilities	**343,340**	248,085	**425,144**	279,507	**768,484**	527,592

3. TAXATION

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**43,694**	4,741
PRC Enterprise Income Tax	**25,326**	35,255
	69,020	39,996
(Over) under provision in prior years		
Hong Kong Profits Tax	**(2,298)**	3,191
PRC Enterprise Income Tax	**(285)**	(1,004)
	(2,583)	2,187
Deferred tax		
Origination and reversal of temporary differences	**(9,816)**	12,506
	56,621	54,689

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rates of the PRC subsidiaries are 15% to 25% (2017: 15% to 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

4. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 interim – HK$0.034 (2017: 2017 interim dividend HK$0.034) per share	**20,129**	20,092
2017 final – HK$0.070 (2017: 2016 final dividend HK$0.079) per share	**41,439**	46,635
	61,568	66,727

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2018 of HK8.4 cents per share (2017: final dividend in respect of the year ended 31 December 2017 of HK7.0 cents per share), in an aggregate amount of approximately HK$49,730,000 (2017: HK$41,439,000) has been proposed by the directors and is subject to approval by shareholders at the forthcoming annual general meeting, and is not included as a dividend payables in the consolidated statement of financial position as at 31 December 2018.

5. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings:		
Net profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**418,269**	232,559

	2018	2017
	Share(s) '000	*Share(s) '000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**591,841**	590,505
Effect of dilutive potential ordinary shares:		
Options	**3,313**	1,824
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**595,154**	592,329

6. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**149,876**	86,362
Less: Allowances for bad and doubtful debts	**(381)**	(561)
	149,495	85,801

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**79,663**	41,782
31 – 120 days	**51,751**	41,234
121 – 180 days	**7,872**	2,544
181 – 365 days	**10,206**	223
Over 365 days and under 3 years	**3**	18
	149,495	85,801

The fair value of the Group's trade receivables at 31 December 2018 and 2017 approximates to their corresponding carrying amount.

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for bad and doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing analysis of receivables that are past due but not impaired

	2018	2017
	HK$'000	*HK$'000*
Overdue by:		
1 – 180 days	**57,621**	26,321
181 – 365 days	**23**	130
	57,644	26,451

Movement in allowance for bad and doubtful debts

	2018	2017
	HK$'000	*HK$'000*
Balance at beginning of the year	**561**	384
Exchange rate adjustments	**(24)**	36
(Reversal) provision for allowance for bad and doubtful debts	**(156)**	141
Balance at the end of the year	**381**	561

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.

Ageing analysis of receivables that are past due and impaired

	2018	2017
	HK$'000	*HK$'000*
Overdue by:		
181 – 365 days	**23**	130
Over 365 days and under 3 years	**358**	431
	381	561

7. TRADE PAYABLES

The fair value of the Group's trade payables at 31 December 2018 and 2017 approximates to their corresponding carrying amount.

The following is an ageing analysis of trade payables at 31 December 2018 and 2017:

	2018	2017
	HK$'000	*HK$'000*
0-90 days	**44,609**	26,090
91-180 days	**21,213**	–
181-365 days	**115**	–
Over 365 days	**142**	58
	66,079	26,148

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.

BUSINESS REVIEW

Pharmaceutical sector in China is always competitive, challenging yet exciting due to its fragmented and fluctuating nature. During the year 2018, cost control measures from the regulator such as price and reimbursement cuts together with inflationary pressure on production costs were the major causes for tougher market conditions and squeezing profit margins.

On the other hand, the large population in China and the relatively low healthcare spending as a portion of GDP therein, as compare to that of in the United States, Europe and Japan, have been providing fuel for sustained business growth in the region. In addition, the continuing efforts of the regulator to debottlenecking the review and approve process of new drugs have gradually creating a better environment for the pharmaceutical industry which encourages innovation, especially for the drugs that address highly unmet medical need.

Under these circumstances, the Group managed to make striking progress on all fronts during the year under review.

The transformation of the Group's main engines for driving revenue, both direct and channel sales team, has enhanced the efficiency and brought the revenue growth of the Group back on track with double digit increase in 2018, which has been missing for quite a long time, amid pricing pressure of the products.

The acceleration in research and development ("**R&D**") and innovation that aims to place the seeds of the delivery of innovative products, from licensing of new compound to conducting clinical trials of new drugs in various therapeutic areas, in the expectation of improving profitability of the Group in the longer term has kept going during the year under review. Nevertheless, the making of strong commitments to R&D together with the inflationary pressure on production costs of its commercialised products, have created short-term financial challenges such as gross and net margin erosion to the Group.

Nevertheless, the Group succeeded to unlock the value of certain pharmaceutical investments in the capital market and made an extra profit to the shareholders. During the year under review, one of the Group's investments in the United States capitalised the chance to raise capital to support its upcoming clinical trials of the assets after its merger with the then associated company of the Group and become a biotech company with three Phase III enabling assets in pulmonary and cardiovascular disease areas.

Together with the efforts made during the year under review for expansion in manufacturing capability and strengthening in regulatory ability, overall, it was a transcendent year for the Group.

Revenue and Profit

The Group generated a revenue contribution of HK$1,137,626,000 from the sales of pharmaceutical products in 2018, representing a growth of 12.8% as compared to that of in 2017. Major six products contributed 94.0% of revenue in 2018, decrease by 0.9 percentage points as compared to that of in 2017, keeping up the trend of sales growth of other products. Sales of licensed-in products was HK$618,069,000 (2017: HK$544,402,000) and accounted for 54.3% (2017: 54.0%) of the Group's revenue while sales of proprietary products was HK$519,557,000 (2017: HK$464,120,000) and contributed 45.7% (2017: 46.0%) of the Group's revenue.

Revenue of licensed-in products sustained double digit growth for another year. *Zanidip*® and *Ferplex*® achieved decent revenue growth of 46.6% and 24.1%, respectively, while that of *Carnitene*® remained flat during the year. Together with the increased revenue contribution from the sales of other licensed-in products such as *Remodulin*®, the Group has recorded revenue growth of 13.5% from its licensed-in products in 2018, improved by 2.3 percentage points as compared to that of in 2017.

Revenue of proprietary products also attained double digit growth in 2018. *Yallaferon*® achieved an encouraging growth in its revenue of 22.8% and surpassed the HK$100 million mark for the first time. *Livaracine*® and *Slounase*® achieved modest revenue growth of 7.4% and 9.6%, respectively. Together with the remarkable 36.8% revenue growth of *Eyprotor*® during the year under review, the Group has recorded revenue growth of 11.9% from its proprietary products in 2018, significantly improved by 6.4 percentage points as compared to that of in 2017.

Overall gross profit margin was held at 65.6% in 2018, declined by 2.1 percentage points from 67.7% in 2017, as inflationary pressures on production costs persist, especially material costs, throughout the year under review. In addition, the Group's R&D in new drugs remains at full throttle and HK$290,177,000 was spent in R&D activities during 2018 (2017: HK$184,605,000), representing 25.5% (2017: 18.3%) to the corresponding yearly revenue, which is among the highest in domestic pharmaceutical companies. Among which HK$153,171,000 (2017: HK$85,057,000) has been recognised as expenses and HK$137,006,000 (2017: HK$99,548,000) has been capitalised as intangible assets.

The Group continued to transform its sales team and streamline its sales and marketing efficiency in 2018 and the selling expenses to revenue ratio has further lowered to 19.5% (2017: 21.2%). In addition, a one-time net positive impact of approximately HK$214,154,000 was recorded in 2018 which represented the gain on deemed disposal of interest in CVie Therapeutics Limited, the then 49.6% owned associated company of the Group.

Net profit attributable to the owners of the Company was HK$418,269,000 (2017: HK$232,559,000), increased by 79.9% as compared to that of in 2017, and recorded net profit margin of 36.8% (2017: 23.1%).

Quality System, Production and Manufacturing Facilities

During the year under review, the Group continued to upgrade and enhance the production capability in Nansha and Hefei. In Nansha site, solid dosage production facilities are fully operational with valid manufacturing licenses for various kinds of oral dosage products. Ophthalmic drug production facilities are also fully operational with valid manufacturing licenses, from topical formulations, multi-dose eyedrops, and mono-dose eyedrops utilised blow-fill-seal technology. The manufacturing of clinical and registration batches of various products have been commenced to facilitate certain of our clinical development programs. In Hefei site, the aseptic facility has undergone successful renovation and expansion. The construction of liposome production line and biologics drug substance production facilities have been completed. In addition, a new laboratory animal center has commenced operations during the year which can accommodate various animal tests on products such as surfactants, calf blood extractives and snake venom extractives.

Drug Development

The Group's commitment to R&D persisted throughout the year under review and measurable progress has been made.

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

During the year under review and up to date, the Group has submitted 3 applications for Import Drug License ("**IDL**"), namely Trazodone®, Prulifloxacin and INOMax®. Among the three submissions, Prulifloxacin has completed the clinical audit by NMPA with success and INOMax® has been granted a waiver of clinical study.

In addition, the Group has submitted 4 Abbreviated New Drug Application ("**ANDA**") applications, namely Sodium Phenylbutyrate Tablet, Sodium Phenylbutyrate Powder, Treprostinil and Fondaparinux. Among the four submissions, a complete response letter has been received for Sodium Phenylbutyrate Powder and supplemental data will be provided for final approval before the end of June 2019.

During the period, the Group has completed 4 registration enabling clinical studies, namely Azilsartan Phase III clinical study, Azilsartan bioequivalence study, Natulan clinical study and Leuprorelin Pharmacokinetic/Pharmacodynamic ("**PK/PD**") study. Among them, the ANDA of Azilsartan has since been submitted.

In January 2018, China Oncology Focus Limited ("**COFL**"), a 65% owned subsidiary of the Group, was granted the approval to proceed with the clinical trials for ZKAB001, an anti PD-L1 monoclonal antibody, in three separate cancer indications: cervical cancer, sarcoma and urothelial carcinoma. On 27 September 2018, the first patient has been enrolled in China in the Phase I clinical trial for ZKAB001 on cervical cancer and the first dosing has been administrated on 10 October 2018. The trial is being conducted by two centers, Cancer Hospital Chinese Academy of Medical Sciences and Wuhan Union Hospital with Doctor Lingying Wu as the principal investigator. The trial consists of two phases, a traditional open labeled 3+3 dose escalation phase followed by an expansion phase. In the dose escalation phase, 3 doses, 5 mg/kg, 10 mg/kg, 15 mg/kg, will be tested with 14 days administration cycle in patients with recurrent and metastatic cervical cancer. Once the maximum tolerated dose ("**MTD**") has been determined, 60 patients will be enrolled under MTD treatment as an expansion phase.

The trials for sarcoma and bladder cancer will also be anticipated to use a 3+3 design with 5mg/kg, 10mg/kg and 15mg/kg dosing regimens. Once the MTD has been established, addition patients are expected to be recruited in an expanded Phase I protocol. Clinical data from these studies is expected to be available by the end of 2019, and positive results could lead to conditional approval of the antibody prior to a confirmatory Phase III study. To date, 9 cervical cancer patients, 2 sarcoma patients and 1 urothelial carcinoma have been enrolled for the respective clinical trials.

Following the approval of the registration enabling global Phase III clinical trial for advanced liver cancer using its oncolytic immunotherapy called Pexa-Vec (formerly JX-594), the PHOCUS study, by the NMPA (Approval No. 2017L04441), the first China patient has been enrolled on 4 September 2018. The study in China is led by world-renowned oncologist Professor Qin Shukui and the trials will take place at 24 major cancer centers around China. This clinical study will globally enroll 600 patients and over 400 of the patients have been enrolled to date, and an interim analysis is expected to be conducted in mid 2019.

In May 2018, the first patient has been enrolled in a Phase II study of the Group's in-house product, Cyclosporine A Eye Gel for the treatment of dry eye syndrome (the "**DES**") in China. This trial designed as a Phase II multi-center, randomised, single-blind, positive controlled and dose finding exploratory clinical trial to evaluate efficacy and safety of Cyclosporine A Eye Gel in treating patients with moderate to severe DES and to explore the optimal dose and frequency of Cyclosporine A Eye Gel in those patients. This trial is led by Professor Zhou Shiyou from Zhongshan Ophthalmic Centre, Sun Yat-sen University. The study plans to enroll a total of 240 patients assigned to four cohorts and, to date, 50% of the patients has been enrolled. The primary outcome measures of the change of eye dryness score from the baseline after the 12 weeks treatment in each cohort. The study is expected to complete by mid 2019.

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

In December 2018, the first patient has been enrolled in the registration enabling study for Levobetaxolol and is expected to be completed in 2019.

The Group submitted 3 Investigational New Drugs ("**IND**") to the NMPA in 2017, namely Gimatecan, TG02 and Tecarfarin and have been approved during the year under review.

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

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

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

In addition, the Group submitted 2 IND to the NMPA, namely Adasuve and BioQ Pharma's Ropivacaine during the year under review and is expected to be approved in 2019. Among those submissions, two meetings have been held with Center for Drug Evaluation ("**CDE**") to discuss the clinical development path, among other things. The Phase I study has been waived and a registration enabling study is under preparation.

Furthermore, the Group has also achieved another milestone in the field of medical device development. On 30 May 2018, the NMPA, for the first time in the last 25 years, approved the Group to conduct R&D on Staccato® Fentanyl for Inhalation in China for treatment of cancer breakthrough pain. Staccato® Fentanyl for Inhalation is a combination drug-device delivery product designed for rapid, systemic delivery of aerosolised fentanyl via the lung. The product integrates the latest IT technology with a unique drug delivery technology, ensuring efficacy while deterring abuse and preventing overdose.

International Partnership

In-licensing strategy is still the preferred mode of the Group's business development. Nevertheless, the overall number of clinical trial programs has grown substantially in recent years and the Group has become more selective in entering into new deals. As a result, the Group has concluded only one licensing deal during the year under review and freed up resources for the investments in promising clinical development programs.

In December 2018, the Group via COFL, a 65% owned subsidiary of the Group, made an exclusive licensing agreement with Auransa, Inc. ("**Auransa**") for the development and commercialisation of AU018 in China and other countries of Southeast Asia. AU018 is a potentially best-in-class cardioprotective agent intended to be paired with chemotherapy in the treatment of cancer and is currently in preclinical development phase.

Corporate Development

In order to separate the Group's R&D efforts from its core revenue streams, the Group made significant progress in corporate development recently. In July 2018, the Group restructured all its oncology pipeline products into COFL. Subsequently, on 22 October 2018, an aggregate amount of US$21,500,000 has been injected by the shareholders of COFL, on a pro-rata basis, for the working capital replenishment. The Group will actively seek additional funds for investing in clinical development and building teams for COFL.

In addition, the Group also succeeded to unlock the value of certain pharmaceutical investments in the capital market and made an extra profit to the shareholders during the year. In December 2018, the Group has successfully facilitated a biotech alliance between its investment in Windtree Therapeutics, Inc. (OTCQB: WINT) which is principally engaged in clinical-stage biotechnology business focused on developing aerosolised KL4 surfactant therapies for respiratory diseases and other potential applications, and CVie Therapeutics Limited which is principally engaged in cardiovascular diseases drug development and currently owns two assets, namely Rostafuroxin and Istaroxime, both completed Phase IIb studies that target cardiovascular diseases with significant unmet medical need. Following the merger, the product portfolio of the enlarged Windtree Therapeutics, Inc. has been enhanced by having three Phase III enabling assets in pulmonary and cardiovascular disease areas, which in turn attracted strong interest from certain investors and had successfully raised additional

funding of approximately US$39 million (approximately HK$302 million) by mean of the issuance of new shares of Windtree Therapeutics, Inc. to support its clinical developments.

With respect to the abovementioned merger, a gain on deemed disposal of the then associated company, CVie Therapeutics Limited, of HK$214,154,000 has been recorded by the Group.

PROSPECT

Going forward, policies on drug pricing and reimbursement constraints will continue to be the key challenges facing the Group in 2019. Nevertheless, following the gradual separation of its earlier stage R&D arms by means of additional fund raising under these biotech vehicles, the Group will be able to reallocate the resources and to revamp the Group's business strategy by sharpening our focus on those near term opportunities in other therapeutic areas such as cardiovascular, woman health, paediatric and rare diseases.

The Group remains confident that the actions we are taking, such as the R&D activities on innovative products in various therapeutic areas, will eventually drive strong and sustainable growth for the future. The newly launched products Mictonorm®, Sancuso®, Probiotics VSL#3®, Dicoflor® and Rasilez® will become a new growth driver for the Group. In a market where old products face tremendous pricing pressure, the Group's new products not only mitigates the risk, but also significantly broaden the revenue base by entering with high growth areas such as cancer therapy and medical food. Furthermore, the expected approval of 3 IDL and 3 ANDA in 2019 will spur a great deal of excitement in the market place, making accelerated growth in future possible.

The Group is well positioned to create value for the shareholders and to face the coming challenging year.

FINAL DIVIDEND

The board of Directors recommended a final dividend of HK$0.084 (2017: HK$0.070) per share to shareholders registered in the Company's register of members as at the close of business on Wednesday, 29 May 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company was scheduled to be held on Monday, 20 May 2019 ("**AGM**"). The notice of AGM will be issued to shareholders of the Company and published on the Company's website at www.leespharm.com and the designated website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkexnews.hk in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) AGM

The register of members of the Company will be closed from Thursday, 16 May 2019 to Monday, 20 May 2019 (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 AGM.

In order to qualify for the right to attend and vote at the AGM, all transfer documents 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15 May 2019.

(b) Payment of the proposed final dividend

The register of members of the Company will be closed from Tuesday, 28 May 2019 to Wednesday, 29 May 2019 (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 2018.

In order to qualify for the proposed final dividend for the year ended 31 December 2018, all transfers documents 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 May 2019.

Subject to shareholders' approval of the proposed final dividend of shares at the AGM, the final dividend is payable to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 29 May 2019. The final dividend will be paid on Thursday, 13 June 2019.

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 2018.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

During the year ended 31 December 2018, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company has made specific enquiries to all Directors, and the Company was not aware of any non-compliance with such Model Code and required standard of dealing throughout the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018, with deviation from provision A.5 of the Code which stipulates that every listed company should establish a nomination committee. Detailed corporate governance practices and considered reasons for the deviation from provision A.5 of the Code will be stated in the annual report of the Company for the year ended 31 December 2018.

REVIEW OF ANNUAL RESULTS

The Group's annual results (including the audited consolidated financial statements) for the year ended 31 December 2018 including the accounting principles and practices adopted have been reviewed by the Audit Committee which consists of three independent non-executive Directors, namely, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY INDEPENDENT AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's independent auditor, HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by HLM CPA Limited on this preliminary results announcement.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Company for the year ended 31 December 2018 containing all the detailed information will be dispatched to the shareholders of the Company and published on the Company's website at www.leespharm.com and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

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

Hong Kong, 28 March 2019

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