

QUARTERLY FINANCIAL STATEMENTS

The directors (the “**Directors**”) of Lee’s Pharmaceutical Holdings Limited (the “**Company**”) present herewith the unaudited consolidated quarterly financial results (the “**Quarterly Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2018, together with the comparative figures for the corresponding period in 2017. The Quarterly Results are unaudited, but have been reviewed by the Company’s auditor, HLM CPA Limited (the “**Auditor**”) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The audit committee of the Company has also reviewed with the management and the Auditor this unaudited report for the nine months ended 30 September 2018 before recommending it to the board of Directors (“**Board**”) for approval.

BUSINESS REVIEW

The Group’s sales growth during the third quarter of this year remained good and steady despite China’s Gross Domestic Product (GDP) during the period increased only by a slower-than-expected 6.5%, the slowest quarterly growth pace since the global financial crisis a decade ago. However, escalating trade tensions between China and the United States led the Renminbi to depreciate around 4% during the quarter under review which in turn created transactional and translational burdens to the Group’s reported financial performance during the quarter under review. Nevertheless, the Group managed to achieve stable profitability while under pressure from Renminbi currency issue as well as higher material and production costs. Together with the on-going cost control efforts on the selling and distribution expenses and administrative expenses, the Group has maintained a decent increase in operation profits during the period under review. The stable operating cash flow generated allows the Group to invest heavily in research and development (“**R&D**”) to sustain its product pipelines healthily.

Taking into account the depreciation of the Renminbi during the quarter under review, the Group’s reported revenue for the third quarter of this year was HK\$299,202,000, which represented positive quarter-on-quarter growth of 8.8% and quarter-over-quarter growth of 4.7%. Sales of Zanidip[®], Ferplex[®], Yallaferon[®] and Livaracine[®] registered increase of 31.2%, 17.3%, 14.4% and 12.5%, respectively. For the nine months ended 30 September 2018, the Group’s revenue reached HK\$866,925,000, increased by 15.6% over the same period last year.

Sales of licensed-in products accounted for 53.6% (nine months ended 30 September 2017: 54.1%) of the Group's revenue while sales of proprietary products contributed 46.4% (nine months ended 30 September 2017: 45.9%) of the Group's revenue.

The Group's gross profit increased by HK\$68,957,000 or 13.7% during the first nine months of 2018. The Group's gross profit for the third quarter of this year increased by HK\$9,681,000 or 5.2% over the same quarter last year. During the quarter under review, the Group's overall gross profit margin held at 65.0%, decreased by 2.2 percentage points as compare to 67.2% achieved in the same quarter last year. The Group's gross profit margin for the nine months ended 30 September 2018 dropped to 66.1% from 67.2%, represented a decrease of 1.1 percentage points compared with same period last year.

The Group held its selling expenses to revenue ratio of 17.6% during the first nine months of this year, and extended the downward trends of last several quarters. The Group's efforts to restructure and rejuvenate its direct sales team remained intact during the quarter under review, and the share of total revenue by direct sales maintained at over 20% during the first nine months of this year. The cash flow generated from operations and the savings from selling expenses have supported the Group's investment in new drugs development and the increased administrative expenses. During the first nine months of 2018, the Group's investment in R&D expenses has increased 66.9% to HK\$95,807,000 from HK\$57,414,000 of the same period last year, which represented 11.1% of revenue during the period under review.

As a result, net profit attributable to the owners of the Company for the first nine months of 2018 was HK\$197,470,000, increased by 5.7% as compared to the same period last year despite gross margin erosion.

The Group continued to upgrade and enhance the production and R&D capability in Nansha and Hefei during the period under review.

After the obtainment of manufacturing license of mono-dose production line utilised blow-fill-seal technology in September 2018, the Group's ophthalmology production lines have been fully licensed and clinical and registration batches of various products can be made to accelerate the development. The Group's solid dose production facility is already fully operational for the manufacturing of various kinds of oral dose products. In October 2018, the Group has successful obtained one additional manufacturing license for the production of cytotoxic capsules.

In Hefei, the construction of liposome production line and biologics drug substance production line have been completed. In addition, a new laboratory animal center has commenced operation in November 2018 which can accommodate various animal tests on products such as surfactants, calf blood extractives and snake venom extractives.

During the period under review, the regulators in China keep building a sound and favourable legal and regulatory framework to support new drug development which greatly facilitate the Group to move forward its R&D projects.

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

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

Following the approval of the registration enabling global Phase III clinical trial for advanced liver cancer using its oncolytic immunotherapy called Pexa-Vec (formerly JX-594), the PHOCUS study, by the 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 350 of the patients have been enrolled to date, and an interim analysis is expected to be conducted in 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.

Phase II study of Cyclosporine A Eye Gel, the Group's in-house product, for the treatment of dry eye syndrome (the "DES") in China is in good progress. 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 Shiyu 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 preparation works for the registration enabling study for Levobetaxolol are in progress. Patient enrolment is expected in December 2018 and the study is expected to be completed in the first half of 2019.

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

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

Istaroxime is a first-in-class luso-inotropic agent for the treatment of acute decompensated heart failure. Its Phase IIb clinical study in Italy (24 patients) and China (96 patients) has also been completed. The analytics work to the data is currently in progress, and preliminary analysis showed that primary and secondary effectiveness endpoints have been reached. Phase III clinical trial is expected to commence in June 2019.

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

Following the approval to proceed with the clinical trials for ZKAB001, an anti PD-L1 monoclonal antibody, in January 2018, the Group has decided to conduct the clinical trials in three separate cancer indications, namely cervical cancer, sarcoma and bladder cancer.

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.

In order to separate the Group’s R&D efforts from its core revenue streams, the Group has also made significant progress in corporate development recently. In July 2018, the Group has restructured all its oncology pipeline products into China Oncology Focus Limited (“COFL”), a 65% owned subsidiary of the Group. 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.

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

PROSPECTS

The Group maintained a stable outlook for the rest of the year.

While persistent changes and challenges will continue to be in place in this industry, the Group remains optimistic to keep the sales growth momentum of the past several quarters. The Group will continue to enhance the structure of the sales team and to improve its direct sales contribution.

Meanwhile, R&D expenditure of the Group is expected to increase substantially in the coming years. As a result, the Group decided to gradually separate R&D activities in oncology and ophthalmology from its core revenue stream which, in turn, can help attract investors support for fund raising in the primary market and to mitigate risk thereof.

As always, the operation and management team will continue to make its unremitting efforts to attain additional uplift on the performance in the upcoming period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the three months and nine months ended 30 September 2018*

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	299,202	275,010	866,925	749,760
Cost of sales		(104,746)	(90,235)	(294,236)	(246,028)
Gross profit		194,456	184,775	572,689	503,732
Other income	4	20,651	7,198	50,492	17,661
Gain on deemed disposal of interest in an associate		1,861	–	1,861	–
Gain on deemed disposal of a subsidiary		–	–	–	58,066
Loss arising from change in fair value of financial assets at fair value through profit or loss		(1,300)	–	(1,300)	–
Impairment of intangible assets		–	(82)	–	(50,705)
Selling and distribution expenses		(50,518)	(58,723)	(152,685)	(153,139)
Administrative expenses		(43,492)	(33,186)	(123,494)	(114,457)
Research and development expenses		(31,961)	(20,421)	(95,807)	(57,414)
Profit from operations		89,697	79,561	251,756	203,744
Finance costs		(1,437)	(826)	(3,387)	(3,353)
Share of results of associates		(3,507)	(5,495)	(11,392)	(10,936)
Profit before taxation		84,753	73,240	236,977	189,455
Taxation	5	(17,986)	(14,494)	(52,561)	(33,717)
Profit for the period		66,767	58,746	184,416	155,738
Attributable to:					
Owners of the Company		71,699	61,824	197,470	186,894
Non-controlling interests		(4,932)	(3,078)	(13,054)	(31,156)
		66,767	58,746	184,416	155,738
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share					
Basic	7	12.11	10.47	33.37	31.66
Diluted	7	12.06	10.45	33.15	31.56

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit for the period	66,767	58,746	184,416	155,738
Other comprehensive (expense) income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas subsidiaries	(54,188)	16,859	(78,563)	54,879
Fair value changes of available-for-sale financial assets	–	(2,176)	–	(22,064)
Reclassification of other reserves upon deemed disposal of a subsidiary	–	–	–	(19,576)
Reclassification of exchange reserve upon deemed disposal of a subsidiary	–	–	–	(94)
Share of associates' exchange reserve	(9)	(70)	(1,115)	(134)
Items that will not be reclassified subsequently to profit or loss:				
Fair value changes of financial assets at fair value through other comprehensive income	(29,265)	–	(25,768)	–
Other comprehensive (expense) income for the period, net of tax	(83,462)	14,613	(105,446)	13,011
Total comprehensive (expense) income for the period	(16,695)	73,359	78,970	168,749
Total comprehensive (expense) income for the period attributable to:				
Owners of the Company	(7,865)	76,437	93,569	199,027
Non-controlling interests	(8,830)	(3,078)	(14,599)	(30,278)
	(16,695)	73,359	78,970	168,749

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months ended 30 September 2018*

	Attributable to the owners of the Company								Attributable to non-controlling interests		Total
	Share capital	Share premium	Merger difference	Share-based compensation reserve	Other reserves	Investments revaluation reserve	Exchange reserve	Retained profits	Sub-total	interests	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2018 (audited)	29,547	724,868	9,200	15,368	41,407	(30,421)	(31,809)	1,046,186	1,804,346	(7,414)	1,796,932
Employee share option benefits	-	-	-	3,700	-	-	-	-	3,700	-	3,700
Exercise of share options	54	6,903	-	(1,582)	-	-	-	-	5,375	-	5,375
Share of share-based compensation reserve of a subsidiary	-	-	-	17	-	-	-	-	17	13	30
Share of reserve of an associate	-	-	-	-	42	-	-	-	42	-	42
Share of options lapsed in an associate	-	-	-	-	(3)	-	-	3	-	-	-
Partial disposal of a subsidiary	-	-	-	-	24,185	-	-	-	24,185	(4,024)	20,161
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,954	1,954
Profit (loss) for the period	-	-	-	-	-	-	-	197,470	197,470	(13,054)	184,416
Other comprehensive (expense) income for the period											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(78,649)	-	(78,649)	86	(78,563)
- Share of associate's exchange reserve	-	-	-	-	(1,115)	-	-	-	(1,115)	-	(1,115)
- Fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	-	(24,137)	-	-	(24,137)	(1,631)	(25,768)
Total comprehensive (expense) income for the period	-	-	-	-	(1,115)	(24,137)	(78,649)	197,470	93,569	(14,599)	78,970
2017 final dividend paid	-	-	-	-	-	-	-	(41,439)	(41,439)	-	(41,439)
2018 interim dividend paid	-	-	-	-	-	-	-	(20,129)	(20,129)	-	(20,129)
At 30 September 2018 (unaudited)	29,601	731,771	9,200	17,503	64,516	(54,558)	(110,458)	1,182,091	1,869,666	(24,070)	1,845,596

	Attributable to the owners of the Company									Attributable to non-controlling interests	
	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
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2017 (audited)	29,303	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	-	-	-	3,233	-	-	-	-	3,233	-	3,233
Exercise of share options	44	3,714	-	(767)	-	-	-	-	2,991	-	2,991
Share of share-based compensation reserve of a subsidiary	-	-	-	17	-	-	-	-	17	13	30
Share of reserve of an associate	-	-	-	-	43	-	-	-	43	-	43
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(12,577)	(12,577)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,564	1,564
Profit (loss) for the period	-	-	-	-	-	-	-	186,894	186,894	(31,156)	155,738
Other comprehensive (expense) income for the period											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	54,001	-	54,001	878	54,879
- Fair value changes of available-for-sale financial assets	-	-	-	-	-	(22,064)	-	-	(22,064)	-	(22,064)
- Reclassification of other reserves upon deemed disposal of a subsidiary	-	-	-	-	(19,576)	-	-	-	(19,576)	-	(19,576)
- Reclassification of exchange reserve upon deemed disposal of a subsidiary	-	-	-	-	-	-	(94)	-	(94)	-	(94)
- Share of associate's exchange reserve	-	-	-	-	(134)	-	-	-	(134)	-	(134)
Total comprehensive income (expense) for the period	-	-	-	-	(19,710)	(22,064)	53,907	186,894	199,027	(30,278)	168,749
2016 final dividend paid	-	-	-	-	-	-	-	(46,635)	(46,635)	-	(46,635)
2017 interim dividend paid	-	-	-	-	-	-	-	(20,092)	(20,092)	-	(20,092)
At 30 September 2017 (unaudited)	29,547	724,868	9,200	14,154	39,845	(34,780)	(42,935)	1,000,411	1,740,310	(8,288)	1,732,022

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKASs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated results have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as appropriate.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017.

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

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKASs and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s unaudited condensed consolidated financial statements:

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

Available-for-sale and held-to-maturity financial assets were reclassified to financial assets at fair value through other comprehensive income and financial assets measured at amortised cost respectively upon adoption of HKFRS 9 on 1 January 2018. Except this, the application of the above new and amendments to HKASs and HKFRSs in the current period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

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

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

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

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

³ Effective for annual periods beginning on or after a date to be determined

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

3. REVENUE

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

Business segments

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Proprietary products	135,062	122,760	402,066	344,385
Licensed-in products	164,140	152,250	464,859	405,375
	299,202	275,010	866,925	749,760

Geographical segments

During the nine months ended 30 September 2018 and 2017, more than 90% of the Group's revenue was derived from activities conducted in the People's Republic of China (the "PRC"), no geographical segmental information is presented.

4. OTHER INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Interest income on:				
Bank deposits	1,243	2,116	4,944	3,646
Held-to-maturity financial assets	–	42	112	125
Loan interest income	828	–	828	–
Advance to associates	350	200	813	601
Total interest income	2,421	2,358	6,697	4,372
Sales of research materials	–	–	70	1,862
Development grants	1,065	4,350	6,575	5,719
Development upfront income	–	–	–	115
Research and development service income	6,744	–	16,945	–
Compensation on termination of product license	–	–	–	2,815
Gain on disposal of intangible assets	3,805	–	3,805	–
Foreign exchange gain, net	5,541	–	14,665	–
Sundry income	1,075	490	1,735	2,778
	20,651	7,198	50,492	17,661

5. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax				
Hong Kong Profits Tax	16,300	2,530	21,883	3,530
PRC Enterprise Income Tax	5,258	8,407	24,487	19,421
	21,558	10,937	46,370	22,951
Under (Over) provision in prior years				
Hong Kong Profits Tax	–	(5)	–	(9)
PRC Enterprise Income Tax	3	(932)	(287)	(1,088)
	3	(937)	(287)	(1,097)
Deferred tax				
Origination and reversal of temporary differences	(3,575)	4,494	6,478	11,863
	17,986	14,494	52,561	33,717

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. Tax arising in the PRC is calculated at the tax rates of tax prevailing in the PRC. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDEND

An interim dividend of HK\$0.034 (2017: HK\$0.034) per share, totalling HK\$20,129,000 for the six months ended 30 June 2018 (2017: HK\$20,092,000) was declared on 14 September 2018 and paid on 27 September 2018.

The Bored does not recommend the payment of other interim dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: nil).

7. EARNINGS PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<i>Earnings:</i>				
Net profit attributable to the owners of the Company for the purpose of basic and diluted earnings per share	71,699	61,824	197,470	186,894

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 Share(s)'000 (unaudited)	2017 Share(s)'000 (unaudited)	2018 Share(s)'000 (unaudited)	2017 Share(s)'000 (unaudited)
<i>Number of shares:</i>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	592,029	590,694	591,777	590,357
Effect of dilutive potential ordinary shares:				
Options	2,333	1,060	3,956	1,846
Weighted average number of ordinary shares for the purpose of diluted earnings per share	594,362	591,754	595,733	592,203

8. RELATED PARTY TRANSACTIONS

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

(a) **Interest income from shareholder loans to Powder Pharmaceuticals Incorporated (“PPI”)**

During the nine months ended 30 September 2018, the Group received approximately HK\$743,000 (nine months ended 30 September 2017: HK\$601,000) interest income from loans to PPI, an associated company of the Group.

(b) **Interest income from shareholder loans to CVie Therapeutics Limited (“CVie TW”)**

During the nine months ended 30 September 2018, the Group received approximately HK\$70,000 (nine months ended 30 September 2017: nil) interest income from loans to CVie TW, an associated company of the Group.

(c) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the period were as follows:

	For the nine months ended 30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Short-term employee benefits	13,515	23,007
Share-based payments	1,803	1,304
Retirement and other post-employment benefits	9,791	7,690
– Defined contribution plan	41	40
– Retirement benefits	9,750	7,650
	25,109	32,001

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

During the nine months ended 30 September 2018, total HK\$250,000 (nine months ended 30 September 2017: HK\$1,250,000) was donated to Kanya Lee Scholarship. Dr. Li Xiaoyi, director of the Company, is also a member of key management of Kanya Lee Scholarship and Kanya Lee Scholarship is considered as a related party of the Group.

(e) **Service income from CVie TW**
During the nine months ended 30 September 2018, approximately HK\$9,960,000 (nine months ended 30 September 2017: nil) was received from CVie TW, for providing research and development services.

(f) **Issue of subsidiary's shares to Perfect Concept Holdings Limited ("Perfect Concept")**
During the period under review, China Oncology Focus Limited ("COFL"), on a pro rata basis, issued 3,500 shares to Perfect Concept. Dr. Li Xiaoyi, Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee, directors of the Company, are the majority of the beneficial owners of Perfect Concept and Perfect Concept is considered as a related party to the Group. Total consideration received for the issue of shares is US\$252,000 (equivalent to approximately HK\$1,968,000).

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

(g) **Purchase of goods from PPI**
During the nine months ended 30 September 2018, there is approximately HK\$57,000 (nine months ended 30 September 2017: nil) purchase of goods from PPI.

(h) **Sales of goods to CVie TW**
During the nine months ended 30 September 2018, there is approximately HK\$1,483,000 (nine months ended 30 September 2017: nil) sales of goods to CVie TW.

9. CAPITAL COMMITMENTS

	30 September 2018 <i>HK\$'000</i> (unaudited)	31 December 2017 <i>HK\$'000</i> (audited)
Capital commitments contracted for in respect of:		
Investment in financial assets at fair value through other comprehensive income/available-for-sale financial assets	32,748	16,552
Intangible assets – license fee and development cost	79,275	76,760
Property, plant and equipment	94,354	38,427
	206,377	131,739
Authorized but not contracted for:		
Intangible assets – license fee and development cost	19,891	28,653

DIVIDEND

The Board does not recommend payment of dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: nil).

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 nine months ended 30 September 2018.

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

Hong Kong, 29 November 2018

As at the date of this report, Ms. Lee Siu Fong (Chairman), Ms. Leelertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors, 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.