



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)

A detailed illustration of a pond with several lotus flowers in various stages of bloom, from white buds to fully open pink and white blossoms. The water is a soft green, and the background is a light, textured white with faint green spots and a small black insect-like figure in the upper right.

First Quarterly Report 2010

* For identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of LEE’S PHARMACEUTICAL HOLDINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2010, together with the comparative unaudited consolidated figures for the corresponding period in 2009 as follows:

	<i>Notes</i>	For the three months ended 31 March	
		2010 HK\$'000	2009 HK\$'000
Turnover	(2)	44,609	33,035
Cost of sales		(12,121)	(9,433)
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Gross profit		32,488	23,602
Other revenue		1,011	388
Gain on deemed disposal of a subsidiary	(3)	234	–
Selling and distribution expenses		(12,888)	(10,028)
Research and development expenses		(1,421)	(601)
Administrative expenses		(6,257)	(4,735)
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Profit from operations		13,167	8,626
Finance costs		(217)	(52)
Share of results of an associate	(4)	(228)	–
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Profit before taxation		12,722	8,574
Taxation	(5)	(2,013)	(772)
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Profit attributable to shareholders		10,709	7,802
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Dividends		–	–
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		HK cents	HK cents
Earnings per share			
Basic	(6)	2.38	1.88
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Diluted	(6)	2.32	1.85
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2010 HK\$'000	2009 HK\$'000
Profit attributable to shareholders	10,709	7,802
Other comprehensive income:		
Exchange differences on translation of:		
– financial statements of overseas subsidiary	–	–
– revaluation of overseas buildings	–	–
Other comprehensive income attributable to shareholders, net of tax	–	–
Total comprehensive income attributable to shareholders	10,709	7,802

NOTES:

1. Basis of preparation and principal accounting policies

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong, Accounting Standards and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention, as modified by the revaluation of leasehold buildings.

The accounting policies and method of computation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2009 except as described below.

In the current year, the Group has applied the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are or have become effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKAS 28 (Revised)	Investments in Associates
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers

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

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ⁴
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendments)	Classification of Rights Issues ¹
HK(IFRIC)-Int 14 (Amendments)	Prepayments of Minimum Funding Requirement ³
HK(IFRIC)- Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

As part of *Improvement to HKFRSs (2009)*, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

The consolidated results for the three months ended 31 March 2010 have not been audited by the Company's auditors, but have been reviewed by the Company's auditors and the audit committee.

2. Turnover

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

Business segments

	For the three months ended 31 March	
	2010 HK\$'000	2009 HK\$'000
Proprietary products	24,752	19,535
License-in products	19,857	13,500
	44,609	33,035

Geographical segments

During the period ended 31 March 2010 and 2009, more than 90% of the Group's turnover was derived from activities conducted in the People's Republic of China (the "PRC"), no geographical segmental information is presented.

3. Gain on deemed disposal of a subsidiary

	For the three months ended 31 March	
	2010 HK\$'000	
Fair value of investment retained (25.36%)	3,839	
Carrying amount of the 100% investment on the date of loss of control	(3,605)	
Gain recognised	234	

In January 2010, Powder Pharmaceuticals Incorporated (the "Powder") has issued 49,999 ordinary shares, which triggered a deemed disposal of the equity interest held by the Group. Accordingly, the equity interest in Powder held by the Group was diluted from 100% to 25.36% after the issue of the shares. Powder then became an associate of the Group. After sharing the loss of Powder in this quarter, the interests in associate would be HK\$3.61 million.

4. Share of results of an associate

Summarised financial information in respect of the Group's associate is set out below:

	For the three months ended 31 March
	2010 HK\$'000
Total loss for the period	898
Group's share of loss of an associate	228

5. Taxation

	For the three months ended 31 March	
	2010 HK\$'000	2009 HK\$'000
Current tax		
The PRC	469	645
Deferred tax		
Provision of current period	1,544	127
Taxation attributable to the Group	2,013	772

Hong Kong Profits Tax has not been provided as the Group had no assessable profit in Hong Kong for the period.

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

6. Earnings per share

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

	For the three months ended 31 March	
	2010	2009
Net profit attributable to shareholders for the purpose of basic and diluted earnings per share	HK\$10,709,000	HK\$7,802,000
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Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	450,293,770	415,275,000
Effect of dilutive potential ordinary shares: options	12,013,468	5,689,670
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Weighted average number of ordinary shares for the purpose of diluted earnings per share	462,307,238	420,964,670
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7. Share capital and reserves

	Share capital	Share premium	Merger difference	Share-based compensation reserve	Other comprehensive income		Retained profits	Total
					Revaluation reserve	Exchange reserve		
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 January 2010	22,506	63,491	9,200	1,190	3,689	2,950	41,704	144,730
Exercise of share options	13	135	-	(37)	-	-	-	111
Employee share option benefits	-	-	-	189	-	-	-	189
Total comprehensive income attributable to shareholders	-	-	-	-	-	-	10,709	10,709
At 31 March 2010	22,519	63,626	9,200	1,342	3,689	2,950	52,413	155,739
At 1 January 2009	20,764	44,533	9,200	1,088	3,657	2,604	3,489	85,335
Employee share option benefits	-	-	-	79	-	-	-	79
Total comprehensive income attributable to shareholders	-	-	-	-	-	-	7,802	7,802
At 31 March 2009	20,764	44,533	9,200	1,167	3,657	2,604	11,291	93,216

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2010 (2009: Nil).

BUSINESS REVIEW

The Group maintained its high double digit growth momentum in the first quarter of 2010 in turnover, operation profit and profit attributable to shareholders. Turnover increased 35% to HK\$44,609,000 whereas operating profit increased 52.6% to HK\$13,167,000. Net profit attributable to shareholders also grew 37% to HK\$10,709,000 over the same period of last year.

The revenue growth in the first quarter was propelled by across board increase in sales of existing products, highlighted by 55% increase in sales of Iron Proteinsuccinylate Oral Solution and 42% increase in sales of *Carnitene*[®] compared with first quarter of previous year.

In anticipation of launch of several new products in second quarter of 2010, the Group had invested in expanding its sales and marketing network. In particular, efforts have been made in building up the Group's detailing sales team by hiring significant numbers of medical representatives. As a result, selling and distribution expenses to turnover ratio for the first quarter of 2010 was 28.9%, lower than 30.4% for same period last year but higher than 27.5% achieved for the whole year of 2009.

Although administrative expenses increased by HK\$1.5 million compared with same period last year due to the increase in staff cost and other operating expenses to cope with increase in transaction volume, the administrative expenses to turnover ratio was kept rather steady at 14%.

The Group has also intensified its research and development activities in the first quarter, reflected in a 136.4% increase in research and development expenses compared to same period last year. Two new clinical studies were initiated during the quarter, including the phase I study for the Group's proprietary first-in-class anti-platelet product *Declotana*.

Despite the net increases in administrative expenses, sales and marketing expenses and research and development expenses, the Group had managed to achieve a 52.6% jump in operating profit compared to first quarter last year. The significant growth of operating profit was made possible by continuing improvement in gross profit margin. For the first quarter of 2010, gross margin was 72.8%, higher than 71.4% recorded for the first quarter of 2009 and 71.7% recorded for the whole year of 2009 respectively.

During the period under review, the Group concluded two licensing agreements with Polichem of Switzerland and Recordati of Ireland for *Defnegin*[®] and *Zanidip*[®] respectively. Both products have already been registered in China and readily available for marketing. Both products fit very well into the Group's focused areas of gynecology and cardiology. In addition, the Group gained registration approval for two of its license-in medical device, namely *Challenger*[®] balloon and *Veloderm*[®].

As at 31 March 2010, the Group had cash and bank balances and pledged bank deposits of approximately HK\$68 million. The Group had bank and other borrowing of approximately HK\$16 million as at 31 March 2010.

In January 2010, the wholly owned subsidiary Powder Pharmaceuticals Incorporated has become an associate of the Company upon the issuance of its new shares to Lee's Pharmaceutical International Limited and other subscribers.

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PROSPECT

The strong performances of the Group's existing products are expected to continue, which could be boosted further by inclusion of three of the Group's existing products into the national drug reimbursement list.

Also, four new products, namely *Defnegin*[®], *Zanidip*[®], *Challenger*[®] balloon and *Veloderm*[®] are now ready for sales and marketing by the Group. The substantial increase in product portfolio could broaden the revenue base, driving the Group onto a new level of growth.

Last, but not least, on 10 March 2010, the Company made an application to the Stock Exchange for the transfer of listing of the shares from the GEM to the Main Board. On 4 May 2010, the Stock Exchange granted its approval in principle for the transfer of listing. The last day of dealings in the Shares on GEM will be 13 May 2010. Dealings in the Shares on the Main Board will commence at 9:30 a.m. on 14 May 2010. The shares will be traded on the Main Board under the new stock code 950. The directors expect that listing on the Main Board will enhance the profile of the Group and provide broader growth opportunity to the Group.

SHARE OPTION SCHEME

Pursuant to a written resolution passed by all shareholders of the Company on 26 June 2002, the Company, among others, conditionally adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme"), the principal terms of which are set out in the Prospectus.

Movements of the share option during the period ended 31 March 2010 were as follows:

Grantees	Date of Grant	Number of share options				Outstanding at 31.3.2010
		Outstanding at 1.1.2010	Granted	Exercised	Lapsed	
Directors						
Lee Siu Fong	25.09.2009	448,000	-	-	-	448,000
Leelalertsuphakun Wanee	27.08.2009	448,057	-	-	-	448,057
Li Xiaoyi	13.01.2003	2,890,000	-	-	-	2,890,000
	25.09.2009	448,000	-	-	-	448,000
Mauro Bove	11.07.2005	500,000	-	-	-	500,000
	02.06.2006	500,000	-	-	-	500,000
Lam Yat Cheong	11.07.2005	300,000	-	-	-	300,000
Sub-total of Directors		5,534,057	-	-	-	5,534,057
Employees						
	13.01.2003	300,000	-	(150,000)	-	150,000
	25.06.2004	2,690,000	-	-	-	2,690,000
	11.07.2005	2,350,000	-	-	-	2,350,000
	02.01.2008	820,000	-	(120,000)	-	700,000
	12.01.2010	-	4,210,000	-	-	4,210,000
Consultants						
	02.06.2006	500,000	-	-	-	500,000
	02.01.2008	2,000,000	-	-	-	2,000,000
	26.11.2008	500,000	-	-	-	500,000
Sub-total of employees and consultants		9,160,000	4,210,000	(270,000)	-	13,100,000
Grand total		14,694,057	4,210,000	(270,000)	-	18,634,057

Notes:

1. Particulars of share options:

Date of Grant	Exercise period	Exercise price per share HK\$
13.01.2003	13.07.2003-12.01.2013	0.405
25.06.2004	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 25.12.2004-24.06.2014 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 25.09.2005-24.06.2014	0.218
11.07.2005	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 11.01.2006-10.07.2015 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 11.10.2006-10.07.2015	0.159
02.06.2006	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 02.12.2006- 01.06.2016 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 02.09.2007-01.06.2016	0.175
02.01.2008	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 02.07.2008- 01.01.2018 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 02.04.2009-01.01.2018	0.492

Date of Grant	Exercise period	Exercise price per share HK\$
26.11.2008	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 26.05.2009- 25.11.2018 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 26.02.2010-25.11.2018	0.383
27.08.2009	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 27.02.2010 – 26.08.2019. (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 27.11.2010-26.08.2019	1.03
25.09.2009	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 26.03.2010- 24.09.2019 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 26.12.2010-24.09.2019	1.076
12.01.2010	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 13.07.2010- 11.01.2020 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 13.04.2011 – 11.01.2020	2.20

Save as disclosed above, as at 31 March 2010, none of the Directors or chief executive or their respective spouse or children under 18 years of age were granted or exercise any rights to subscribe for any equity of the Company or any of its associated corporations.

The fair value of the total options granted in the period measured as at the date of grant on 12 January 2010 was HK\$4,740,460. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

1. an expected volatility of 66.43 per cent;
2. expected annual dividend yield of 3.17 per cent;
3. the estimated expected life of the options granted during the year is 10 years; and
4. the quoted interest rate for the Exchange Fund Notes with maturity in 2020 was 2.887 per cent. which was adopted to calculate the fair value of options granted on 12 January 2010.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. As changes in subjective input assumptions can materially affect the fair value estimated, in the Directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 March 2010, the following Directors and chief executive and their associates had interest or short positions in the Shares or underlying Shares of the Company or any of its associated corporations as required to be disclosed under and within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") were as follows:

1. Long positions

(a) Ordinary shares of HK\$0.05 each of the Company

Name	Capacity and nature	Notes	Number of		% of issued share capital
			shares	Total	
Lee Siu Fong	Beneficial owner		2,504,375		
	Interest of corporation	(i)	124,690,625	127,195,000	28.24
Leelalertsuphakun Wanee	Beneficial owner		1,259,000		
	Interest of corporation	(i)	124,690,625	125,949,625	27.97
Li Xiaoyi	Beneficial owner		35,110,000		
	Interest of spouse	(ii)	16,000,000	51,110,000	11.35
Chan Yau Ching, Bob	Beneficial owner		1,190,000	1,190,000	0.26
Tsim Wah Keung, Karl	Beneficial owner		300,000	300,000	0.07

Notes:

- (i) 124,690,625 Shares are held through Huby Technology Limited ("Huby Technology") and Dynamic Achieve Investments Limited ("Dynamic Achieve"). Each of Huby Technology and Dynamic Achieve is an investment holding company jointly owned by Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee.
- (ii) These Shares are held by High Knowledge Investments Limited ("High Knowledge") which is wholly owned by Dr. Li's spouse, Ms. Lue Shuk Ping, Vicky ("Ms. Lue"). The interest held by Ms. Lue is deemed to be part of the interest of Dr. Li.

(b) Share options

Name	Capacity and nature	Number of options held	Number of underlying Shares
Lee Siu Fong	Beneficial owner	448,000	448,000
Leelalertsuphakun Wanee	Beneficial owner	448,057	448,057
Li Xiaoyi	Beneficial owner	3,338,000	3,338,000
Mauro Bove	Beneficial owner	1,000,000	1,000,000
Lam Yat Cheong	Beneficial owner	300,000	300,000
		5,534,057	5,534,057

(c) Aggregate long positions in the Shares and the underlying Shares

Name	Number of Shares	Number of underlying Shares	Aggregate in number
Lee Siu Fong	127,195,000	448,000	127,643,000
Leelalertsuphakun Wanee	125,949,625	448,057	126,397,682
Li Xiaoyi	51,110,000	3,338,000	54,448,000
Chan Yau Ching, Bob	1,190,000	–	1,190,000
Tsim Wah Keung, Karl	300,000	–	300,000
Mauro Bove	–	1,000,000	1,000,000
Lam Yat Cheong	–	300,000	300,000

As at 31 March 2010, Dr. Li Xiaoyi also had beneficial interest in 1,000 shares in Powder Pharmaceuticals Incorporated, an associated corporation of the Company.

2. Short positions

No short positions of Directors and chief executive in the Shares or underlying Shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executive's Interests" above, at no time during the period ended 31 March 2010 were rights to acquire benefits by means of the acquisition of Shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 31 March 2010, the following persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO:

1. Long positions

(a) Ordinary shares of HK\$0.05 each of the Company

Name	Capacity and nature	Notes	Number of Shares	% of issued share capital
Huby Technology Limited	Beneficial owner		120,290,625	26.71
Defiante Farmaceutica, S.A.	Beneficial owner		132,350,000	29.39
Life Science Intelligence Limited	Beneficial owner	(i)	30,273,437	6.72
High Knowledge Investments Limited	Beneficial owner	(ii)	16,000,000	3.55
Lue Shuk Ping, Vicky	Interest in corporation	(ii)	16,000,000	3.55
	Interest of spouse	(iii)	35,110,000	7.80

(b) Underlying shares

Name	Capacity and nature	Notes	Nature of underlying shares	Number of underlying Shares
Lue Shuk Ping, Vicky	Interest of spouse	(iii)	Share Options	3,338,000

(c) Aggregate long positions in the Shares and the underlying Shares

Name	Number of Shares	Number of underlying Shares	Aggregate in number
Huby Technology Limited	120,290,625	–	120,290,625
Defiante Farmaceutica, S.A.	132,350,000	–	132,350,000
Life Science Intelligence Limited	30,273,437	–	30,273,437
High Knowledge Investments Limited	16,000,000	–	16,000,000
Lue Shuk Ping, Vicky	51,110,000	3,338,000	54,448,000

Notes:

- (i) Life Science Intelligence Limited is controlled by Vivo Ventures Fund VI, LP.
- (ii) These Shares are legally owned by High Knowledge Investments Limited, which is entirely and beneficially owned by Dr. Li Xiaoyi's spouse, Ms. Lue.
- (iii) The Shares and share option are owned by Ms. Lue Shuk Ping, Vicky's spouse, Dr. Li Xiaoyi.

2. Short positions

No short positions of other persons and substantial shareholders in the Shares or underlying Shares of the Company and its associated corporations were recorded in the register.

Save as disclosed above, as at 31 March 2010, so far as is known to the Directors, no person was recorded in the register required by the SFO to be kept as having an interest of 5% or more of the issued share capital of the Company or short positions in the Shares or underlying Shares of the Company.

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 three months ended 31 March 2010.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the three months ended 31 March 2010.

AUDIT COMMITTEE

An audit committee was set up with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

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

The audit committee has reviewed with the management and auditors this unaudited quarterly report for the three months ended 31 March 2010 before recommending it to the Board for approval.

As at the date of this report, the Board comprises the following directors:

Executive directors:

Ms. Lee Siu Fong (*Chairman*)

Ms. Leelalertsuphakun Wancee

Dr. Li Xiaoyi

Non-executive director:

Mr. Mauro Bove

Independent non-executive directors:

Dr. Chan Yau Ching, Bob

Mr. Lam Yat Cheong

Dr. Tsim Wah Keung, Karl

By order of the Board

Lee Siu Fong

Chairman

Hong Kong, 13 May 2010