



**LEE'S PHARM.**  
李氏大藥廠

Lee's Pharmaceutical Holdings Limited  
李氏大藥廠控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 8221)

07

THIRD QUARTERLY REPORT

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 30 September 2007, together with the comparative unaudited consolidated figures for the corresponding period in 2006 as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	(2)	19,825	11,629	51,486	31,021
Cost of sales		(5,929)	(4,532)	(15,839)	(11,634)
Gross profit		13,896	7,097	35,647	19,387
Other revenue		(80)	217	355	848
Selling and distribution expenses		(5,628)	(3,611)	(15,792)	(10,561)
Research and development expenses		(349)	(252)	(1,056)	(797)
Administrative expenses		(3,748)	(3,450)	(10,213)	(10,170)
Profit (loss) from operations		4,091	1	8,941	(1,293)
Finance costs		(201)	(192)	(697)	(466)
Profit (loss) before taxation		3,890	(191)	8,244	(1,759)
Taxation	(3)	(484)	(117)	(745)	(210)
Profit (loss) attributable to shareholders		3,406	(308)	7,499	(1,969)
Dividends		-	-	-	-
		HK cents	HK cents	HK cents	HK cents
Earnings (loss) per share					
Basic	(4)	0.96	(0.09)	2.15	(0.57)
Diluted	(4)	0.94	N/A	2.11	N/A

## 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 2006.

The consolidated results for the nine months ended 30 September 2007 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 30 September		For the nine months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Proprietary products	11,291	6,354	28,722	17,547
License-in products	8,534	5,275	22,764	13,474
	<b>19,825</b>	11,629	<b>51,486</b>	31,021

*Geographical segments*

During the period ended 30 September 2007 and 2006, more than 90% of the Group's turnover was derived from activities conducted in the PRC, no geographical segmental information is presented.

## 3. Taxation

	For the three months ended 30 September		For the nine months ended 30 September	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax				
PRC income tax	370	128	654	244
Deferred tax				
Provision (credit) of current period	114	(11)	91	(34)
Taxation attributable to the Group	484	117	745	210

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the period. PRC income tax is calculated at the rates applicable in the PRC.

#### 4. Earnings (loss) per share

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2007	2006	2007	2006
Net profit (loss) attributable to shareholders for the purpose of basic earnings (loss) per share	<b>HK\$3,406,000</b>	HK\$(308,000)	<b>HK\$7,499,000</b>	HK\$(1,969,000)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>355,983,696</b>	346,225,000	<b>349,513,645</b>	346,225,000
Effect of dilutive potential ordinary shares: options and warrants	<b>6,777,810</b>	N/A	<b>5,394,211</b>	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<b>362,761,506</b>	N/A	<b>354,907,856</b>	N/A

The diluted loss per share for the nine months ended 30 September 2006 is not presented as the potential ordinary shares in respect of outstanding share options and warrants are anti-dilutive.

## 5. Share capital and reserves

	Share capital	Share premium	Merger difference	Revaluation reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 January 2007	17,311	32,496	9,200	3,237	666	827	(30,548)	33,189
Share option benefits	-	-	-	-	170	-	-	170
Issue of new shares upon exercise of share options	42	167	-	-	(32)	-	-	177
Issue of new shares upon exercise of warrants	3,293	11,458	-	-	-	-	-	14,751
Exchange rate adjustment not recognized in consolidated income statement	-	-	-	117	-	402	-	519
Profit for the period	-	-	-	-	-	-	7,499	7,499
<b>At 30 September 2007</b>	<b>20,646</b>	<b>44,121</b>	<b>9,200</b>	<b>3,354</b>	<b>804</b>	<b>1,229</b>	<b>(23,049)</b>	<b>56,305</b>
At 1 January 2006	17,311	32,496	9,200	3,106	443	183	(27,079)	35,660
Share option benefits	-	-	-	-	164	-	-	164
Exchange rate adjustment not recognized in consolidated income statement	-	-	-	67	-	315	-	382
Loss for the period	-	-	-	-	-	-	(1,969)	(1,969)
<b>At 30 September 2006</b>	<b>17,311</b>	<b>32,496</b>	<b>9,200</b>	<b>3,173</b>	<b>607</b>	<b>498</b>	<b>(29,048)</b>	<b>34,237</b>

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2007 (2006: Nil).

## BUSINESS REVIEW AND PROSPECTS

### Business review

The Group's growth momentum continued in the third quarter of 2007. Turnover achieved record high of HK\$19.8 million, representing a sequential increase of 8% over last quarter and 70% increase over the same period last year. Profits after tax for the quarter reached HK\$3.4 million, up 5.4 % from the last quarter and bringing the profit after tax for the nine months ended 30 September 2007 to a new level of HK\$7.5 million.

Turnover for the nine months ended 30 September 2007 was HK\$51.5 million, an increase of 66% over same period last year. The newly launched product, *Slounase*<sup>®</sup> continued its strong growth momentum with sales amount increased by 37% over the second quarter. *Carnitene*<sup>®</sup> continued its strong growth with turnover increased by 72% for the nine months ended 30 September 2007 over same period last year.

Gross profit margin continued to improve from 62.5% for the nine months ended 30 September 2006 to 69.2% for the same period in 2007. The improvement in gross profit margin was mainly attributable to the increase in sales of proprietary products with higher gross profit margin.

Selling and distribution expenses to turnover ratio reduced to 28% for the third quarter of 2007 compared with 31% for the second quarter. The drop in ratio was mainly due to economy of scale from the increase in sales.

The administrative expenses for the nine months ended 30 September 2007 increased by 0.4% from the same period last year mainly due to increase in staff cost.

During the third quarter, Defiante Farmaceutica, Lda ("Defiante"), a wholly owned subsidiary of Sigma-Tau group, exercised its warrant and 65,850,000 shares were allotted and issued at the exercise price of HK\$0.224 per share. Following the allotment of the shares, Defiante's percentage holding in the Company increased from 16.71% to 29.99%. The Directors are pleased with the exercise, which is a manifest expression of Sigma-Tau's confidence in the Group and further cements the strategic partnership formed between the companies since 2004. The new funding will enable the Group to continue implementation of its growth strategy and aggressively expand its product portfolio.



## Prospects

In August 2007, the Group has entered into an exclusive agreement for the registration, distribution and marketing of *Aloxi*<sup>®</sup> (palonosetron hydrochloride) in China. *Aloxi*<sup>®</sup> is approved by the US FDA and European EMEA for the prevention of acute CINV in patients taking moderately and highly emetogenic chemotherapy. The Directors believe that *Aloxi*<sup>®</sup>, with its demonstrated clinical efficacy in prevention of CINV, will have great potential to perform well in China's expanding market.

During the quarter, the Group has also made registration submission for one imported product and one in-house developed product. In addition, one imported product Acetyl-L-Carnitine has received approval for clinical study from China SFDA. As to date, the total number of drugs of the Group under SFDA review or undergone clinical study for registration purpose has reached nine (9), which provide a solid foundation for sustained growth of the Group.

With the continued strong selling of *Slounase*<sup>®</sup> and anticipated launch of newly license-in drug, Iron Proteinsuccinylate in the coming quarter, the Directors are confidence that Group will be able not only to maintain the present growth momentum in both turnover and profit, but also to achieve acceleration in the coming quarters.

## 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 30 September 2007 were as follows:

Grantees	Date of Grant	Outstanding at 1.1.2007	Number of share options			Outstanding at 30.9.2007
			Granted	Exercised	Lapsed	
<b>Directors</b>						
Lee Siu Fong	26.06.2002	1,600,000	-	-	-	1,600,000
Leelalertsuphakun Wanee	13.01.2003	289,000	-	-	-	289,000
Li Xiaoyi	13.01.2003	2,890,000	-	-	-	2,890,000
Mauro Bove	11.07.2005	500,000	-	-	-	500,000
	02.06.2006	500,000	-	-	-	500,000
Chan Yau Ching, Bob	13.01.2003	100,000	-	(100,000)	-	-
	25.06.2004	300,000	-	(300,000)	-	-
	11.07.2005	100,000	-	(100,000)	-	-
Lam Yat Cheong	11.07.2005	300,000	-	-	-	300,000
Tsim Wah Keung, Karl	11.07.2005	300,000	-	-	-	300,000
<i>Sub-total of Directors</i>		6,879,000	-	(500,000)	-	6,379,000
<b>Employees</b>						
	26.06.2002	50,000	-	-	-	50,000
	13.01.2003	400,000	-	-	-	400,000
	25.06.2004	5,950,000	-	-	(100,000)	5,850,000
	11.07.2005	3,750,000	-	(350,000)	-	3,400,000
<b>Consultant</b>	02.06.2006	500,000	-	-	-	500,000
<i>Sub-total of employees and consultant</i>		10,650,000	-	(350,000)	(100,000)	10,200,000
<b>Grand total</b>		17,529,000	-	(850,000)	(100,000)	16,579,000

*Notes:*

## 1. Particulars of share options:

<b>Date of Grant</b>	<b>Exercise period</b>	<b>Exercise price per share HK\$</b>
26.06.2002	(i) 50% exercisable not less than 2 years from date of grant but not more than 10 years, i.e. 26.06.2004-25.06.2012 (ii) unexercised balance thereof be exercisable not less than 3 years from date of grant but not more than 10 years, i.e. 26.06.2005-25.06.2012	0.280
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	(iii) 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 (iv) 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	(v) 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 (vi) 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

Saved as disclosed above, as at 30 September 2007, 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.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 September 2007, 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 issued share capital
			of shares	Total	
Lee Siu Fong	Beneficial owner		2,334,375		
	Interest of corporation	(i)	<u>163,290,625</u>	165,625,000	40.11
Leelalertsuphakun Wanee	Beneficial owner		2,095,000		
	Interest of corporation	(i)	<u>163,290,625</u>	165,385,625	40.05
Li Xiaoyi	Beneficial owner		80,000		
	Interest of spouse	(ii)	<u>16,000,000</u>	16,080,000	3.89
Chan Yau Ching, Bob	Beneficial owner		500,000	500,000	0.12

#### Notes:

- (i) 163,290,625 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	1,600,000	1,600,000
Leelalertsuphakun Wanee	Beneficial owner	289,000	289,000
Li Xiaoyi	Beneficial owner	2,890,000	2,890,000
Mauro Bove	Beneficial owner	1,000,000	1,000,000
Lam Yat Cheong	Beneficial owner	300,000	300,000
Tsim Wah Keung, Karl	Beneficial owner	300,000	300,000
		6,379,000	6,379,000

## (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	165,625,000	1,600,000	167,225,000
Leelalertsuphakun Wanee	165,385,625	289,000	165,674,625
Li Xiaoyi	16,080,000	2,890,000	18,970,000
Chan Yau Ching, Bob	500,000	–	500,000
Mauro Bove	–	1,000,000	1,000,000
Lam Yat Cheong	–	300,000	300,000
Tsim Wah Keung, Karl	–	300,000	300,000

**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 nine months ended 30 September 2007 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 30 September 2007, 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 or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange 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 and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

### 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		155,290,625	37.61
Defiante Farmaceutica, Lda	Beneficial owner		123,850,000	29.99
High Knowledge Investments Limited	Beneficial owner	(i)	16,000,000	3.87
Lue Shuk Ping, Vicky	Interest in corporation	(i)	16,000,000	3.87
	Interest of spouse	(ii)	80,000	0.02

## (b) Underlying shares

Name	Capacity and nature	Notes	Nature of underlying shares	Number of underlying Shares
Lue Shuk Ping, Vicky	Interest of spouse	(ii)	Share Options	2,890,000

## (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	155,290,625	–	155,290,625
Defiante Farmaceutica, Lda	123,850,000	–	123,850,000
High Knowledge Investments Limited	16,000,000	–	16,000,000
Lue Shuk Ping, Vicky	16,080,000	2,890,000	18,970,000

*Notes:*

- (i) These Shares are legally owned by High Knowledge Investments Limited, which is entirely and beneficially owned by Dr. Li Xiaoyi's spouse, Ms. Lue.
- (ii) Dr. Li Xiaoyi, husband of Ms. Lue, has been granted share options to subscribe for 2,890,000 Shares under Share Option Scheme and has beneficial interest in 80,000 Shares and therefore Ms. Lue is deemed to be interested in such number of Shares

**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.

Saved as disclosed above, as at 30 September 2007, 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.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

During the nine months ended 30 September 2007, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the nine months ended 30 September 2007.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company listed securities during the nine months ended 30 September 2007.

## **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 nine months ended 30 September 2007.



## 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 nine months ended 30 September 2007 before recommending it to the Board for approval.

By order of the Board

**Lee Siu Fong**

*Chairperson*

Hong Kong, 13 November 2007

*As at the date thereof, Ms. Lee Siu Fong (Chairperson of the Company), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors; Dr. Mauro Bove is non-executive Director, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive Directors.*