



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)

RESULTS ANNOUNCEMENT FOR THIRD QUARTER 2003

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 announcement, 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 announcement.

This announcement, 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only

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 2003, together with the comparative unaudited consolidated figures for the corresponding period in 2002 as follows:

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2003	2002 (Restated)	2003	2002 (Restated)
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(2)	3,499	3,008	13,662	8,560
Cost of sales		(905)	(786)	(3,388)	(2,332)
Gross Profit		2,594	2,222	10,274	6,228
Other revenue		47	79	689	202
Selling and distribution expenses		(1,593)	(1,191)	(5,043)	(3,726)
Administrative expenses		(3,219)	(2,547)	(8,812)	(5,514)
Loss from operations		(2,171)	(1,437)	(2,892)	(2,810)
Finance costs		(132)	(158)	(442)	(453)
Loss before taxation		(2,303)	(1,595)	(3,334)	(3,263)
Taxation	(4)	12	12	48	20
Loss before minority interest		(2,291)	(1,583)	(3,286)	(3,243)
Minority interest		–	–	–	1,621
Net loss for the period		(2,291)	(1,583)	(3,286)	(1,622)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share					
Basic	(5)	(0.79)	(0.57)	(1.14)	(0.71)
Diluted	(5)	(0.79)	(0.57)	(1.13)	(0.70)

Notes:

1. Basis of preparation

The principal accounting policies adopted in the preparation of the unaudited consolidated results conform with accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Society of Accountants and the disclosure requirements of GEM Listing Rules.

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

2. Turnover

Turnover represents the net amount received and receivable for goods sold by the Group to outside customers during the period.

3. Segment information

As the Group is only engaged in the development, manufacturing and sales of pharmaceutical products solely in the People's Republic of China ("PRC") for the three months and nine months ended 30 September 2003 and 2002, no segmental information is presented accordingly.

4. Taxation

	(Unaudited)		(Unaudited)	
	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
Hong Kong	–	–	–	–
PRC	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	–	–	–	–
Deferred tax				
Credit of current period	12	12	48	20
	<u>12</u>	<u>12</u>	<u>48</u>	<u>20</u>
Taxation attributable to the Group	12	12	48	20
	<u>12</u>	<u>12</u>	<u>48</u>	<u>20</u>

No provision for Hong Kong, PRC and overseas profits tax has been made as the Group had no estimated assessable profit for the three months and nine months ended 30 September 2003 (2002: Nil).

5. Loss per share

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

	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
	2003	2002	2003	2002
Loss:				
Net loss for the period for the purpose of basic and diluted loss per share	<u>HK\$2,291,000</u>	<u>HK\$1,583,000</u>	<u>HK\$3,286,000</u>	<u>HK\$1,622,000</u>
Number of shares of the Company (the "Shares"):				
Weighted average number of ordinary shares for the purpose of basic loss per share	289,225,000	277,811,957	289,225,000	229,639,836
Effect of dilutive potential ordinary shares: options	<u>1,000,000</u>	<u>1,666,667</u>	<u>1,000,000</u>	<u>1,666,667</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>290,225,000</u>	<u>279,478,624</u>	<u>290,225,000</u>	<u>231,306,503</u>

6. Reserves

	Share premium HK\$'000	Merger difference HK\$'000	Revaluation reserve HK\$'000	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2002	–	–	–	(15)	(14,322)	(14,337)
Issue of Shares in exchange for shares in Lee's Pharmaceutical (HK) Limited	–	9,200	–	–	–	9,200
Issue of Shares to Zengen Inc. as consideration for acquisition of intangible asset	3,360	–	–	–	–	3,360
Issue of Shares in exchange for assignment of loan made by Huby Technology Limited	3,082	–	–	–	–	3,082
Issue of Shares in exchange for assignment of loan made by Ms. Lee Siu Fong	631	–	–	–	–	631
Issue of Shares to Huby Technology Limited for cash	1,856	–	–	–	–	1,856
Issue of Shares to public	26,250	–	–	–	–	26,250
Share issue expenses	(10,292)	–	–	–	–	(10,292)
Surplus on revaluation of property, plant and equipment not recognised in consolidated income statement (restated)	–	–	3,921	–	–	3,921
Exchange rate adjustment not recognised in consolidated income statement (restated)	–	–	–	48	–	48
Net loss for the period (restated)	–	–	–	–	(1,622)	(1,622)
At 30 September 2002, as restated	<u>24,887</u>	<u>9,200</u>	<u>3,921</u>	<u>33</u>	<u>(15,944)</u>	<u>22,097</u>
At 1 January 2003	24,887	9,200	4,613	1	(17,789)	20,912
Adjustment on adoption of SSAP 12 (Revised)	–	–	(692)	11	(261)	(942)
At 1 January 2003, as restated	24,887	9,200	3,921	12	(18,050)	19,970
Exchange rate adjustment not recognised in consolidated income statement	–	–	–	(29)	–	(29)
Net loss for the period	–	–	–	–	(3,286)	(3,286)
At 30 September 2003	<u>24,887</u>	<u>9,200</u>	<u>3,921</u>	<u>(17)</u>	<u>(21,336)</u>	<u>16,655</u>

DIVIDEND

The Board does not recommend the payment of any dividend for the period (2002: Nil).

FINANCIAL REVIEW

For the three months ended 30 September 2003, the Group achieved an 16.32% increase to HK\$3.50 million in its turnover as compared to the same quarter last year. The persistent increase in turnover was mainly attributed to the wider acceptance of Livaracine® by medical professionals in the PRC.

Administrative expenses amounted to HK\$3,219,000 for the three months ended 30 September 2003, an 26.38% increase from HK\$2,547,000 for the same period of the previous year. The increase was mainly attributed to the one-off payment incurred on departure of the chief marketing officer and fee paid to an overseas consultant who is responsible for searching strategic alliance with overseas pharmaceutical companies. Moreover, starting from the third quarter of 2003, advisory fee paid to the sponsor has been accounted for.

BUSINESS REVIEW

During the three months ended 30 September 2003, the Group had achieved the following objectives:

- The certificate of drug registration of the Group's first license-in drug, Gliconorm® has been issued by the Department of Health, Hong Kong.
- The Group obtained the exclusive distribution rights in the PRC from an Italian pharmaceutical company for L-carnitine for cardiac diseases.
- Approval was received from the State Food and Drug Administration of the PRC (the "SFDA") to initiate clinical study on recurrence rate reduction of venereal warts for its flagship product, Yallaferon®.
- The project known as "Screening of Human Haparanase Inhibitors as Anti-Cancer Drugs from Traditional Chinese Medicine" co-operated with the Department of Biology of Hong Kong University of Science and Technology discovered several "hits" from extracts derived from herbal medicines.

PROSPECTS

The Group will continue to focus its efforts and resources on the following areas:

- The setting up of sales and marketing team for Hong Kong market will be completed before the end of November 2003.
- The Group will embark on selling license-in drugs in Hong Kong and PRC before the end of this year.
- The licenses and regulatory approvals in Hong Kong for sales of two license-in drugs of antibiotics are expected to be obtained in the near future.

- The Group will continue its efforts to build up pipeline through licensing in technologies and drugs with potential markets from the United States of America and Europe.

SPONSOR'S INTERESTS

As at 30 September 2003, the Company's sponsor, Goldbond Capital (Asia) Limited (formerly known as Asia Investment Capital Limited) ("GCAL") has confirmed that (i) neither it nor its associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any member of the Group (including options or rights to subscribe for such securities); and (ii) none of its directors or employees had any interests in any class of securities (including options or rights to subscribe for such securities) of the Company or any members of the Group.

Pursuant to the agreement dated 4 October 2000 entered into between the Group and GCAL, GCAL has received and will receive a fee for acting as the Company's retained sponsor for the period from 16 July 2002 to 31 December 2004.

COMPETING INTERESTS

None of the Directors or the initial management shareholders (as defined in the GEM Listing Rules) had an interest in a business, which causes or may cause any significant competition with the business of the Group.

CHANGE OF DIRECTORSHIP

Mr. Lau Tai Wai ("Mr. Lau") resigned as director of the Company with effect from 24 September 2003. Since then, Ms. Leelalertsuphakun has taken up Mr. Lau's function as the chief marketing officer of the Company.

BOARD PRACTICES AND PROCEDURES

In the opinion of the Directors, the Company has complied with board practices and procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rules throughout the three months ended 30 September 2003.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The Committee has three members comprising an executive Director, Ms. Lee and two independent non-executive Directors, namely, Dr. Chan Yau Ching, Bob and Mr. Leung Yun Fai. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company listed securities during the three months and nine months ended 30 September 2003.

Lee Siu Fong
Chairperson

Hong Kong, 13 November 2003

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.leespharm.com.