



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)

## RESULTS ANNOUNCEMENT FOR FIRST QUARTER 2004

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*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 ended 31 March 2004, together with the comparative unaudited consolidated figures for the corresponding period in 2003 as follows:

		<b>For the three months ended 31 March</b>	
		<b>2004</b>	2003
			(Restated)
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Turnover	(2)	<b>6,211</b>	3,222
Cost of sales		<b><u>(2,180)</u></b>	<u>(1,009)</u>
Gross Profit		<b>4,031</b>	2,213
Other revenue		<b>29</b>	59
Selling and distribution expenses		<b>(2,718)</b>	(928)
Administrative expenses		<b><u>(2,649)</u></b>	<u>(2,852)</u>
Loss from operations		<b>(1,307)</b>	(1,508)
Finance costs		<b><u>(145)</u></b>	<u>(176)</u>
Loss before taxation		<b>(1,452)</b>	(1,684)
Taxation	(4)	<b><u>4</u></b>	<u>12</u>
Loss before minority interest		<b>(1,448)</b>	(1,672)
Minority interest		<b><u>–</u></b>	<u>–</u>
Net loss for the period		<b><u><u>(1,448)</u></u></b>	<u><u>(1,672)</u></u>
Dividends		<b><u><u>–</u></u></b>	<u><u>–</u></u>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
Loss per Share			
Basic	(5)	<b><u><u>(0.50)</u></u></b>	<u><u>(0.58)</u></u>
Diluted	(5)	<b><u><u>(0.50)</u></u></b>	<u><u>(0.58)</u></u>

Notes:

## 1. Basis of preparation

The Company has adopted the Hong Kong Financial Reporting Standards issued by the Hong Kong Society of Accountants and the disclosure requirements of GEM Listing Rules in preparing the unaudited consolidated results.

The accounting policies and methods 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 2003.

## 2. Turnover

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

The Group's primary format for reporting segment information is business segments.

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Proprietary products	<b>4,497</b>	3,222
License-in products	<b>1,714</b>	–
	<b><u>6,211</u></b>	<u>3,222</u>

## 3. Taxation

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Current tax		
Hong Kong	–	–
PRC	–	–
	–	–
Deferred tax		
Credit of current period	<b>4</b>	12
Taxation attributable to the Group	<b><u>4</u></b>	<u>12</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 ended 31 March 2004 (2003: Nil).

#### 4. Loss per share

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

	<b>For the three months ended 31 March</b>	
	<b>2004</b>	2003 (Restated)
Loss:		
Net loss for the period for the purpose of basic and diluted loss per share	<b><u>HK\$1,448,000</u></b>	<b><u>HK\$1,672,000</u></b>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>289,225,000</b>	289,225,000
Effect of dilutive potential ordinary shares: Options	<u>          –</u>	<u>          333,333</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b><u>289,225,000</u></b>	<b><u>289,558,333</u></b>

No diluted loss per share for the period in 2004 has been presented because the exercise prices of the options were higher than the average market price of the Company's shares for the period.

#### 5. Reserves

	<b>Unaudited</b>					
	<b>Share premium</b>	<b>Merger difference</b>	<b>Revaluation reserve</b>	<b>Exchange reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 01.01.2003	24,887	9,200	4,613	1	(17,789)	20,912
Adjustment on adoption of SSAP 12 (Revised)	<u>          –</u>	<u>          –</u>	<u>          (692)</u>	<u>          11</u>	<u>          (261)</u>	<u>          (942)</u>
At 01.01.2003, as restated	24,887	9,200	3,921	12	(18,050)	19,970
Exchange rate adjustment not recognised in consolidated income statement	<u>          –</u>	<u>          –</u>	<u>          –</u>	<u>          6</u>	<u>          –</u>	<u>          6</u>
Net loss for the period	<u>          –</u>	<u>          –</u>	<u>          –</u>	<u>          –</u>	<u>          (1,672)</u>	<u>          (1,672)</u>
At 31.03.2003, as restated	<b><u>24,887</u></b>	<b><u>9,200</u></b>	<b><u>3,921</u></b>	<b><u>18</u></b>	<b><u>(19,722)</u></b>	<b><u>18,304</u></b>
At 01.01.2004	24,887	9,200	3,921	(14)	(23,413)	14,581
Exchange rate adjustment not recognised in consolidated income statement	<u>          –</u>	<u>          –</u>	<u>          –</u>	<u>          (57)</u>	<u>          –</u>	<u>          (57)</u>
Net loss for the period	<u>          –</u>	<u>          –</u>	<u>          –</u>	<u>          –</u>	<u>          (1,448)</u>	<u>          (1,448)</u>
At 31.03.2004	<b><u>24,887</u></b>	<b><u>9,200</u></b>	<b><u>3,921</u></b>	<b><u>(71)</u></b>	<b><u>(24,861)</u></b>	<b><u>13,076</u></b>

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the three months ended 31 March 2004 (2003: Nil).

## **FINANCIAL REVIEW**

The Group's unaudited consolidated turnover for the three months ended 31 March 2004 amounted to approximately HK\$6.21 million, representing an increase of 92.77% as compared with the corresponding period of 2003. The Group's overall gross margin had slightly dropped to 64.90% in 2004 from that of 68.68% in 2003 because of sales of license-in product having lower gross margin of 34.39%.

In the first quarter of 2004, the turnover of the Group's flagship product, Livaracine, contributing to 57.09% of total turnover was increased by 38.08% over the corresponding period of last year with a strong growth momentum. Despite the slightly price reduction of Livaracine, sales growth was derived from the 42.47% increase of sales volume from 219,000 vials to 312,000 vials.

Selling and distribution expenses for the first quarter of 2004 substantially increased as compared with that of corresponding period of 2003 due to proportionate increase with turnover and set-up of sales and marketing department in Hong Kong in November 2003 for the Group's license-in product to be launched in the Hong Kong market.

Loss from operations in the three months ended 31 March 2004 continued the trend of narrowing and recorded a 13.40% decrease on a year-to-year base to HK\$1.45 million despite an initial heavy marketing spending for product launch in Hong Kong market. The improvement in loss was a result of significant increase in revenue.

## **BUSINESS REVIEW**

During the three months ended 31 March 2004, the Group has achieved the following objectives:

- The strategy of broadening revenue base has been successfully implemented with launch of L-Carnitine in China market, which contributed to a more than 50% of the growth in revenue.
- The marketing effort of Yallaferon has been intensified with successful completion of clinical study for expanding indications.
- Approval has been obtained from the State Food and Drug Administration (the "SFDA") of the People's Republic of China ("PRC") for conducting clinical study on Yallaferon's effect on cervical erosion, a serious health problem for women.
- Approval has been obtained from SFDA of PRC to initiate clinical study for protein-free calf blood extract eye-gel.
- The Group has obtained an exclusive distribution rights on Irrodan Retard, a product which has already been registered in PRC from an Italian pharmaceutical company, Biomedica Foscama S.P.A. for China market.
- The advertising and distribution programs of Vira 38° and ArginMax for Hong Kong market was commenced in the first quarter of 2004.

## **PROSPECT**

In the coming months, the Group will continue to focus its efforts and resources on the following areas:

- Pursue innovative and proprietary technology and products for licensing from United States of America (“US”) and Europe.
- Cooperate with The Chinese University of Hong Kong to conduct a 400 patient clinical study on Vira 38° for treatment of influenza.
- Continue to build an effective and efficient sales and marketing team in the PRC for the existing four products, namely Livaracine, L-Carnitine, Yallaferon and Defibrase.
- Prepare the launch of Irrodan in China and the launch of Gliconorm in Hong Kong.
- Intensify its marketing effort of ArginMax and Vira 38° in Hong Kong.

## **SPONSOR’S INTERESTS**

As at 31 March 2004, the Company’s continuing sponsor, Kingsway Capital Limited (“Kingsway”) 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 13 February 2004 entered into between the Group and Kingsway, Kingsway has received and will receive a fee for acting as the Company’s continuing sponsor for the period from 16 February 2004 to 31 December 2004 or until the sponsor agreement is terminated upon the terms and condition set out therein.

## **BOARD PRACTICES AND PROCEDURES**

In the opinion of the Directors, the Company has complied with board practices and procedures as set out in Rule 5.34 to 5.45 of the GEM Listing Rules throughout the three months ended 31 March 2004.

## **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 ended 31 March 2004.

By the order of the Board  
**Lee Siu Fong**  
*Chairperson*

Hong Kong, 14 May 2004

*As at the date thereof, Ms. Lee Siu Fong (Chairperson of the Company), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors; Dr. Chan Yau Ching, Bob and Mr. Leung Yun Fai are independent non-executive Directors.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the day of its posting and on the website of the Company at [www.leespharm.com](http://www.leespharm.com).*