



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2006

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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 2006, together with the comparative unaudited consolidated figures for the corresponding period in 2005 as follows:

| | <i>Notes</i> | For the three months ended 31 March | |
|---|--------------|--|-----------------|
| | | 2006 | 2005 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | (2) | 10,477 | 8,841 |
| Cost of sales | | (4,288) | (2,804) |
| Gross profit | | 6,189 | 6,037 |
| Other revenue | | 264 | 382 |
| Selling and distribution expenses | | (3,223) | (3,319) |
| Research and development expenses | | (261) | (182) |
| Administrative expenses | | (2,965) | (2,756) |
| Profit from operations | | 4 | 162 |
| Finance costs | | (149) | (134) |
| (Loss) profit before taxation | | (145) | 28 |
| Taxation | (3) | (71) | 11 |
| (Loss) profit attributable to shareholders | | <u>(216)</u> | <u>39</u> |
| Dividends | | <u>—</u> | <u>—</u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| (Loss) earnings per share | | | |
| Basic | (4) | <u>(0.06)</u> | <u>0.01</u> |
| Diluted | (4) | <u>N/A</u> | <u>N/A</u> |

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 2005.

The consolidated results for the three months ended 31 March 2006 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 | |
|----------------------|--|---------------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| Proprietary products | 5,507 | 6,339 |
| License-in products | 4,970 | 2,502 |
| | <u>10,477</u> | <u>8,841</u> |

Geographical segments

During the period ended 31 March 2006 and 2005, 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. Taxation

| | For the three months ended 31 March | |
|------------------------------------|--|-----------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| Current tax | | |
| PRC income tax | (82) | – |
| Deferred tax credit | <u>11</u> | <u>11</u> |
| Taxation attributable to the Group | <u>(71)</u> | <u>11</u> |

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. (Loss) earnings per share

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

| | For the three months ended 31 March | |
|---|--|--------------------|
| | 2006 | 2005 |
| Net (loss) profit attributable to shareholders for the purpose of basic and diluted (loss) earnings per share | <u>HK\$(216,000)</u> | <u>HK\$39,000</u> |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | 346,225,000 | 346,225,000 |
| Effect of dilutive potential ordinary shares: options and warrants | <u>–</u> | <u>–</u> |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | <u>346,225,000</u> | <u>346,225,000</u> |

No diluted (loss) earnings per share for the three months ended 2006 and 2005 has been presented as the exercise prices of the options and warrants are higher than the market price of the shares during the period.

5. Share capital and reserves

| | Share capital HK\$'000 | Share premium HK\$'000 | Merger difference HK\$'000 | Revaluation reserve HK\$'000 | Employee share-based compensation reserve HK\$'000 | Exchange reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------------|----------------------------------|------------------------------------|--|---------------------------------|-----------------------------------|-------------------|
| At 1 January 2006 | 17,311 | 32,496 | 9,200 | 3,106 | 443 | 183 | (27,079) | 35,660 |
| Employee share option benefits | - | - | - | - | 55 | - | - | 55 |
| Exchange rate adjustment not recognised in consolidated income statement | - | - | - | 6 | - | 26 | - | 32 |
| Loss for the period | - | - | - | - | - | - | (216) | (216) |
| At 31 March 2006 | 17,311 | 32,496 | 9,200 | 3,112 | 498 | 209 | (27,295) | 35,531 |
| At 1 January 2005 | 17,311 | 33,227 | 9,200 | 3,028 | 255 | (62) | (27,232) | 35,727 |
| Employee share option benefits | - | - | - | - | 48 | - | - | 48 |
| Exchange rate adjustment not recognised in consolidated income statement | - | - | - | - | - | (14) | - | (14) |
| Profit for the period | - | - | - | - | - | - | 39 | 39 |
| At 31 March 2005 | 17,311 | 33,227 | 9,200 | 3,028 | 303 | (76) | (27,193) | 35,800 |

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2006 (2005: Nil).

BUSINESS REVIEW

During the first quarter of 2006, the Group achieved the second highest quarterly turnover of HK\$10.5 million, representing 19% increase over the same period in 2005 and 17% increase compared with previous quarter. The growth in revenue is driven by a 98% increase in sales of Carnitene®, a license-in product. However the gross profit margin decreased from 68% for the first quarter of last year to 59% for this quarter as license-in product has a lower gross profit margin than proprietary one.

The Group has continued to improve the efficiency and effectiveness of its marketing and selling organisation, evidenced by a decrease in percentage of selling expenses over turnover from 38% in the first quarter of last year to 31% in the quarter under review.

In order to prepare for the launch of two proprietary products in the second and fourth quarter of this year, the Group has increased spending in research and development as well as human resources. As a result, the Group registered a loss of HK\$216,000 compared with a slight profit of HK\$39,000 in the first quarter of 2005.

PROSPECTS

The Group targets to launch two self developed products in the second and fourth quarter of 2006. They are Slounase (Hemocoagulase) and Eyprotor (Protein-free Calf Blood Extract Eye-gel). Hemocoagulase is widely prescribed in China for different types of bleeding problems and Slounase is the first Hemocoagulase in China utilizing local snake venom that was approved by the SFDA. Eyprotor was well tolerated and effective for treatment of corneal ulcer caused by abrasion. The Group's performance will significantly improve upon the launch of these two new products.

In the second quarter, the Group will commence two clinical studies for its proprietary anti-platelet drug and its license-in coronary stent. Such efforts will help to advance both products through development stage, laying foundation for sustainable growth of the Group.

The Group is also actively negotiating with Sigma-tau and other business partners for distribution of different kinds of products in China which will undoubtedly boost the earning capability of the Group.

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 three months ended 31 March 2006.

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

Executive directors:

Ms. Lee Siu Fong (*Chairperson*)

Ms. Leelalertsuphakun Wanee

Dr. Li Xiaoyi

Non-executive director:

Dr. 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

Chairperson

Hong Kong, 10 May 2006

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.