



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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

**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.

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

		For the three months ended 30 September		For the nine months ended 30 September	
		2006	2005	2006	2005
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	(2)	11,629	10,160	31,021	29,568
Cost of sales		(4,532)	(3,363)	(11,634)	(9,593)
Gross profit		7,097	6,797	19,387	19,975
Other revenue		217	309	848	1,062
Selling and distribution expenses		(3,611)	(4,060)	(10,561)	(11,516)
Research and development expenses		(252)	(217)	(797)	(639)
Administrative expenses		(3,450)	(2,723)	(10,170)	(8,401)
(Loss) profit from operations		1	106	(1,293)	481
Finance costs		(192)	(84)	(466)	(323)
(Loss) profit before taxation		(191)	22	(1,759)	158
Taxation	(3)	(117)	7	(210)	33
(Loss) profit attributable to shareholders		(308)	29	(1,969)	191
Dividends		—	—	—	—
		HK cents	HK cents	HK cents	HK cents
(Loss) earnings per share					
Basic	(4)	(0.09)	0.01	(0.57)	0.06
Diluted	(4)	N/A	N/A	N/A	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 2005.

The consolidated results for the nine months ended 30 September 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 30 September		For the nine months ended 30 September	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Proprietary products	6,354	6,798	17,547	19,957
License-in products	5,275	3,362	13,474	9,611
	<u>11,629</u>	<u>10,160</u>	<u>31,021</u>	<u>29,568</u>

Geographical segments

During the period ended 30 September 2006 and 2005, 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	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Current tax				
PRC income tax	(128)	—	(244)	—
Deferred tax				
Credit of current period	<u>11</u>	<u>7</u>	<u>34</u>	<u>33</u>
Taxation attributable to the Group	<u>(117)</u>	<u>7</u>	<u>(210)</u>	<u>33</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 (loss) earnings per share is based on the following data:

	For the three months ended 30 September		For the nine months ended 30 September	
	2006	2005	2006	2005
Net (loss) profit for the period for the purpose of basic (loss) earnings per share	<u>HK\$(308,000)</u>	<u>HK\$29,000</u>	<u>HK\$(1,969,000)</u>	<u>HK\$191,000</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>346,225,000</u>	<u>346,225,000</u>	<u>346,225,000</u>	<u>346,225,000</u>

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. No diluted earnings per share for previous period in 2005 has been presented as the exercise prices of the outstanding share options and warrants are higher than the market price of shares.

5. Share capital and reserves

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger difference <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)
At 30 September 2006	17,311	32,496	9,200	3,173	607	498	(29,048)	34,237
At 1 January 2005	17,311	33,227	9,200	3,028	255	(62)	(27,232)	35,727
Warrant issue net expenses	-	(731)	-	-	-	-	-	(731)
Share option benefits	-	-	-	-	131	-	-	131
Exchange rate adjustment not recognised in consolidated income statement	-	-	-	75	-	258	-	333
Profit for the period	-	-	-	-	-	-	191	191
At 30 September 2005	17,311	32,496	9,200	3,103	386	196	(27,041)	35,651

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2006 (2005: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

For the third quarter of 2006, performance of the Group showed an improvement compared with the second quarter. Turnover for the three months ended 30 September 2006 was HK\$11.6 million, an increase of 14% from the same period last year and up 30.4% from the last quarter. The increase was mainly attributable to the increase in sales of *Carnitene* by HK\$1.9 million during the quarter. Loss attributable to shareholders reduced from HK\$1,445,000 for the second quarter to HK\$308,000 for the third quarter of 2006, a reduction of 79%.

Turnover for the nine months ended 30 September 2006 was HK\$31 million, an increase of 5% from the same period last year. The increase was mainly due to the significant increase in sales of *Carnitene* by 45% during the period which was offset by decrease in sales of proprietary products by 12% during the period.

Gross margins for the nine months ended 30 September 2006 was 62.5%, a decline from 67.6% for the same period last year. This was caused by a markedly increase in sales of *Carnitene* which has a relatively lower gross margin compared with other proprietary products.

The administrative expenses for the nine months ended 30 September 2006 increased by HK\$1.7 million over same period last year. The increase was mainly attributable to increase in staff cost in preparation for the launch of new proprietary products.

Finance cost for the nine months ended 30 September 2006 increased by HK\$143,000 from same period last year as bank borrowing increased during the period.

Prospects

During the period under review, the Group achieved two significant milestones in product development and manufacturing. The Group has obtained from the SFDA of China a Good Manufacturing Practices (GMP) Certificate related to the plant facility and quality assurance system for production of the “Small Volume Parenteral Solutions” which brings the GMP certified workshops of the Group to three. The increased manufacturing capability will maximize the Group’s production capability and reduce the overall product cost in future.

The Group has successfully obtained the marketing authorization of Slounase® (Hemocoagulase) from SFDA and the product has been formally launched at the end of September with excellent market reception. The Directors expect that the launch will significantly improve the revenue and profitability 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 nine months ended 30 September 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, 13 November 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.