



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2007

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 ended 31 March 2007, together with the comparative unaudited consolidated figures for the corresponding period in 2006 as follows:

		For the three months ended 31 March	
	<i>Notes</i>	2007	2006
		HK\$'000	HK\$'000
Turnover	(2)	13,321	10,477
Cost of sales		(4,194)	(4,288)
Gross profit		9,127	6,189
Other revenue		116	264
Selling and distribution expenses		(4,446)	(3,223)
Research and development expenses		(337)	(261)
Administrative expenses		(3,310)	(2,965)
Profit from operations		1,150	4
Finance costs		(256)	(149)
Profit (loss) before taxation		894	(145)
Taxation	(3)	(33)	(71)
Profit (loss) attributable to shareholders		861	(216)
Dividends		–	–
		<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per share			
Basic	(4)	0.25	(0.06)
Diluted	(4)	0.24	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 three months ended 31 March 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 31 March	
	2007	2006
	HK\$'000	HK\$'000
Proprietary products	7,521	5,507
License-in products	5,800	4,970
	<u>13,321</u>	<u>10,477</u>

Geographical segments

During the period ended 31 March 2007 and 2006, 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	
	2007	2006
	HK\$'000	HK\$'000
Current tax		
PRC income tax	45	82
Deferred tax credit	(12)	(11)
Taxation attributable to the Group	<u>33</u>	<u>71</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. 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 31 March	
	2007	2006
Net profit(loss) attributable to shareholders for the purpose of basic and diluted earnings(loss) per share	<u>HK\$861,000</u>	<u>HK\$(216,000)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings(loss) per share	346,225,000	346,225,000
Effect of dilutive potential ordinary shares: options and warrants	<u>12,031,265</u>	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings(loss) per share	<u>358,256,265</u>	<u>N/A</u>

The diluted loss per share for the three months ended 31 March 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	Employee share-based compensation reserve	Exchange reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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 1 January 2007	17,311	32,496	9,200	3,237	666	827	(30,548)	33,189
Employee share option benefits	-	-	-	-	54	-	-	54
Exchange rate adjustment not recognized in consolidated income statement	-	-	-	33	-	142	-	175
Profit for the period	-	-	-	-	-	-	861	861
At 31 March 2007	<u>17,311</u>	<u>32,496</u>	<u>9,200</u>	<u>3,270</u>	<u>720</u>	<u>969</u>	<u>(29,687)</u>	<u>34,279</u>
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 recognized in consolidated income statement	-	-	-	6	-	26	-	32
Loss for the period	-	-	-	-	-	-	(216)	(216)
At 31 March 2006	<u>17,311</u>	<u>32,496</u>	<u>9,200</u>	<u>3,112</u>	<u>498</u>	<u>209</u>	<u>(27,295)</u>	<u>35,531</u>

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2007 (2006: Nil).

BUSINESS REVIEW

The Group started to see that its strategy of growing through product comes to fruition in the first quarter, 2007, achieving a profit after tax of HK\$861,000. This is a breakthrough for the group, signifying completion of turnaround toward profitability.

The significant improvement in bottom line was a result of continuing increase in sales. For the first quarter of 2007, turnover was HK\$13 million, an increase of HK\$2.8 million or 27% from the same period last year and an increase of more than 6% over last quarter. All four products of the Group, namely *Slounase*[®], *Carnitene*[®], *Livaracine*[®], *Yallaferon*[®] registered growth in sales, with first two products displaying impressive momentum. For the newly launched product *Slounase*[®], the sales volume in the first quarter increased more than 105% compared with the sales volume of last quarter of 2006.

Improvement in gross profit margin helped the bottom line too. Gross profit margin was 68.5% for the period under review, a 16% increase compared with 59.1% for the first quarter last year. The increase in sales of proprietary products accounted for the increase in gross profit margin as the gross profit margin of proprietary products is relatively higher than that of licensed-in products. The increase was also attributable to the reduction in purchase cost of *Carnitene*[®] upon renewal of the distribution agreement.

Distribution expenses to turnover ratio increased slightly from 31% for the first quarter last year to 33% for this quarter. This was mainly due to more marketing effort made for the launch of new proprietary product *Slounase*[®].

During the period under review, the Group has started the patient enrollment for its clinical study of Horus[®]S stent and Challenger balloon from IBS company of Italy. The study has been progressed well and it is on target to complete the patient enrollment by the end of April 2007. In addition, the Group signed a licensing agreement with Fidia, an Italian pharmaceutical company to register, distribute and market two products in China. This is a further example of the Group's relentless efforts to expand its pipelines through global partnership.

PROSPECTS

During the period under review, the Group had participated in tenders of many important provinces such as Guangdong, Shanghai, Fujian, Anhui, Shangxi, Yunan, Jianxi and Liaoning with satisfactory results. As tenders in China are moving toward province-based centralization, the successful listing of the Group's all four products on the procurement list of the provinces provides a solid foundation for the continuing growth of the Group's sales in China.

The sales of *Slounase*[®] in the first quarter was in line with the Group's expectation. With the majority of tenders for 2007 are coming into effect in the second quarter of 2007, we are confident that the growth of *Slounase*[®] sales will remain in an accelerated pace and contribute more and more to the profitability of the Group.

With the completion of patient enrollment for Horus®S stent and Challenger balloon, the Group will soon submit the registration application for Challenger balloon which could be launched into the market by end of 2007, contributing additional revenue to 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 2007.

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, 11 May 2007

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.