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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 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.

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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*

BUSINESS REVIEW AND PROSPECTS

Business Review

Having successfully achieved a breakthrough in the first quarter, the Group's significant growth momentum in sales and profitability accelerated in the second quarter. For the second quarter of 2007, turnover was HK$18.34 million, up 38% from the last quarter. Profit after tax for the second quarter increased sharply to HK$3.23 million, representing an increase of 275% over the first quarter. For the first six months of 2007, the Group registered sales of HK$31.66 million, an increase of 63% over the same period of last year. Profit after tax for the six months ended 30 June 2007 reached a record high of HK$4.09 million.

Record turnover and profit of the first half of the year were results of growth in not only the new products, but also the "old" products. The increase over the same period last year for the three products in the market for over one year ranged from 22% to 77% in the first six months. For our newly launched proprietary product, *Slounase*® saw a strong growth in the second quarter of 2007 with sales amount increased by 138% over the first quarter of 2007 which was preceded with an increase of 109% in the first quarter.

Gross profit margin continued to improve from 63.4% for the first half year of 2006 to 68.7% for the same period in 2007. The reduction in unit cost of license-in product and increase in sales of in-house developed products contributed to the increase in gross profit margin.

Selling and distribution expenses to turnover ratio reduced to 31% for the second quarter of 2007 compared with 33% for the first quarter. The ratio also dropped to 32% for the first half year of 2007 from 36% for the first half year of 2006. The drop in ratio was mainly due to economy of scale from the increase in sales level and our effort to control selling expenses and to improve its effectiveness.

The administrative expenses for the first half year of 2007 decreased by 3.8% from the same period last year mainly due to drop in bad debt provision. Despite significant growth in sales, the Group's trade receivables were controlled in a healthy level at around twenty six days' turnover.

During the period under review, the Group has achieved important milestones in clinical studies of Horus®S coronary stent and Challenger balloon. The enrollment of patients for a clinical trial on Horus®S stent has been successfully completed, and the clinical study to evaluate the efficacy and safety of Challenger balloon catheter for patients with coronary heart disease has also been successfully completed. The Group has also initiated the clinical study of Bemiparin on dialysis patients and the enrollment of patients is progressing well. The pharmacokinetic study of Bemiparin has been completed, with study report being ready soon for submission purpose.

The Group has also made registration submission for three imported products during the period under review, bringing the Group's total number of imported products now under China SFDA review to six. Given the strength of the Group's *Carnitene*® franchise, the obtaining of Import Drug License for *Carnitene*® 2g injection from China SFDA in April, 2007 will undoubtedly boosts its competitiveness in the market place.

The Group has continued to implement its strategy of global partnership with renewed vigor during the period under review. It has signed distribution agreements with four different European companies for six different products, expanding the Group's pipeline into other high growth areas such as anti-depression drug market. More discussions of partnership are underway with different US or European companies and the Group is expected to secure more products in the near future, ensuring strong and sustainable growth.

Prospects

The Board is very optimistic about the continuing growth of revenue and profit of the Group.

Most of tenders that the Group participated and won in the first half of the year are coming into effect in second and third quarters, fueling further growth in product sales. For the newly launched product *Slounase*®, the pace of market penetration is expected to pick up steam as its acceptance by medical community will increase with more and more positive clinical experiences.

In addition, the Group is still on schedule to launch two new products in the third and forth quarter respectively. One of the new products is an imported product which is already registered in China and readily available for the market. It targets a market with substantial potential that could become a new growth engine of the Group.

With the completion of the clinical study for Challenger balloon catheter, the Group is on track to make the registration submission and obtain the marketing approval by the end of 2007. The expected launch of the product in 2008 will provide the Group yet another revenue stream.

The Group is confident that the successful implementation of its growth strategy of product and partnership will propel the Group to a new level of revenue and profitability.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 30 June		For the six months ended 30 June	
		2007	2006	**2007**	2006
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	(2)	**18,340**	8,915	**31,661**	19,392
Cost of sales		**(5,716)**	(2,814)	**(9,910)**	(7,102)
Gross profit		**12,624**	6,101	**21,751**	12,290
Other revenue		**319**	367	**435**	631
Selling and distribution expenses		**(5,718)**	(3,727)	**(10,164)**	(6,950)
Research and development expenses		**(370)**	(284)	**(707)**	(545)
Administrative expenses		**(3,155)**	(3,755)	**(6,465)**	(6,720)
Profit (loss) from operations	(4)	**3,700**	(1,298)	**4,850**	(1,294)
Finance costs		**(240)**	(125)	**(496)**	(274)
Profit (loss) before taxation		**3,460**	(1,423)	**4,354**	(1,568)
Taxation	(5)	**(228)**	(22)	**(261)**	(93)
Profit (loss) attributable to shareholders		**3,232**	(1,445)	**4,093**	(1,661)
Dividends	(6)	**–**	–	**–**	–
		HK cents	*HK cents*	***HK cents***	*HK cents*
Earnings (loss) per share					
Basic	(7)	**0.93**	(0.42)	**1.18**	(0.48)
Diluted	(7)	**0.87**	N/A	**1.11**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	(Unaudited) 30 June 2007 HK$'000	(Audited) 31 December 2006 HK$'000
Non-current Assets			
Property, plant and equipment	(8)	**14,702**	14,484
Intangible assets		**15,557**	14,225
Lease premium for land		**1,177**	1,162
Goodwill		**3,900**	3,900
		35,336	33,771
Current Assets			
Lease premium for land		**29**	29
Inventories		**5,956**	4,075
Trade receivables	(9)	**4,548**	4,161
Other receivables, deposits and prepayments		**6,067**	3,757
Pledged bank deposits		**2,012**	2,012
Cash and bank balances		**4,295**	4,815
		22,907	18,849
Current Liabilities			
Trade payables	(10)	**1,192**	666
Other payables		**8,574**	6,319
Bank overdraft		**1,268**	819
Short term borrowings		**7,572**	10,326
Tax payable		**422**	134
		19,028	18,264
Net Current Assets		**3,879**	585
Total Assets less Current Liabilities		**39,215**	34,356
Capital and Reserves			
Share capital		**17,311**	17,311
Reserves		**20,461**	15,878
Equity Attributable to Shareholders of the Company		**37,772**	33,189
Non-current Liabilities			
Deferred tax liabilities		**591**	599
Long-term borrowings		**852**	568
		1,443	1,167
		39,215	34,356

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share premium *HK$'000*	Merger difference *HK$'000*	Revaluation reserve *HK$'000*	Share-based compensation reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2007	17,311	32,496	9,200	3,237	666	827	(30,548)	33,189
Share option benefits	–	–	–	–	113	–	–	113
Exchange rate adjustment not recognized in consolidated income statement	–	–	–	83	–	294	–	377
Profit for the period	–	–	–	–	–	–	4,093	4,093
At 30 June 2007	**17,311**	**32,496**	**9,200**	**3,320**	**779**	**1,121**	**(26,455)**	**37,772**
At 1 January 2006	17,311	32,496	9,200	3,106	443	183	(27,079)	35,660
Share option benefits	–	–	–	–	110	–	–	110
Exchange rate adjustment not recognized in consolidated income statement	–	–	–	37	–	172	–	209
Loss for the period	–	–	–	–	–	–	(1,661)	(1,661)
At 30 June 2006	17,311	32,496	9,200	3,143	553	355	(28,740)	34,318

NOTES TO THE UNAUDITED CONDENDSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation of financial statements and principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" 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 interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2006.

The condensed consolidated interim financial statements 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.

3. Segment information

Business segments

The following table presents turnover and results of the Group's business segments for the six months ended 30 June 2007.

	Proprietary products		**License-in products**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment turnover	**17,431**	11,193	**14,230**	8,199	**31,661**	19,392
Segment results	**4,261**	949	**1,247**	(1,519)	**5,508**	(570)
Interest income					**60**	13
Unallocated expenses					**(718)**	(737)
Profit (loss) from operations					**4,850**	(1,294)
Finance costs					**(496)**	(274)
Profit (loss) before taxation					**4,354**	(1,568)
Taxation					**(261)**	(93)
Profit (loss) attributable to shareholders					**4,093**	(1,661)

Geographical segments

During the six months ended 30 June 2007 and 2006, more than 90% of the Group's turnover was derived from activities conducted in the PRC, no geographical segmental information is presented.

4. Profit (loss) from operations

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) from operations has been arrived at after charging :				
Depreciation of property, plant and equipment	**513**	415	**1,005**	800
Amortisation of lease premium for land	**7**	7	**15**	13
Amortisation of intangible assets	**125**	162	**251**	323
Total depreciation and amortisation	**645**	584	**1,271**	1,136
Bad debts provision and written off	**19**	520	**34**	513
Other receivable written off	**–**	177	**–**	177

5. Taxation

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax				
PRC income tax	**239**	34	**284**	116
Deferred tax				
Credit of current period	**(11)**	(12)	**(23)**	(23)
Taxation attributable to the Group	**228**	22	**261**	93

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.

6. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Ni1).

7. Earnings (loss) per share

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

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Net profit (loss) attributable to shareholders for the purpose of basic earnings (loss) per share	**3,232,000**	(1,445,000)	**4,093,000**	(1,661,000)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**346,225,000**	346,225,000	**346,225,000**	346,225,000
Effect of dilutive potential ordinary shares: options and warrants	**26,159,400**	N/A	**23,094,541**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**372,384,400**	N/A	**369,319,541**	N/A

The diluted loss per share for the six months ended 30 June 2006 is not presented as the potential ordinary shares in respect of outstanding share options and warrants are anti-dilutive.

8. Movements in property, plant and equipment

During the period ended 30 June 2007, additions to fixed assets amounted to HK$0.8 million.

9. Trade receivables

The Group has a policy of allowing an average credit period of 30-180 days to its trade customers. The following is an aging analysis of trade receivables at the balance sheet dates.

	(Unaudited) 30 June 2007 *HK$'000*	(Audited) 31 December 2006 *HK$'000*
1-90 days	**4,357**	3,933
91-180 days	**152**	193
181-365 days	**79**	49
Over 365 days and under 3 years	**38**	47
	4,626	4,222
Less: Allowance for bad and doubtful debts	**(78)**	(61)
	4,548	4,161

10. Trade payables

The following is an aging analysis of trade payables at the balance sheet dates.

	(Unaudited) 30 June 2007 *HK$'000*	(Audited) 31 December 2006 *HK$'000*
1-90 days	**1,160**	666
91-180 days	**–**	–
181-365 days	**32**	–
Over 365 days	**–**	–
	1,192	666

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 six months ended 30 June 2007.

AUDIT COMMITTEE

An audit committee was set up with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee comprises three members, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl, who are the independent non-executive directors of the Company.

The audit committee has reviewed with the management and auditors this unaudited interim report for the six months ended 30 June 2007 before recommending it to the Board for approval.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of Listing Rules throughout the six months ended 30 June 2007, with deviations from provision B.1 of the Code.

Under provision B.1 of the Code, a remuneration committee should be established to make recommendations to the Board on the policy and structure for all remuneration of directors and senior management. The Board considers that the Company needs not set up a remuneration committee as remuneration of directors and senior management are determined by the Board in accordance with the Articles of Association of the Company.

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 August 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.