



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 2007

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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 and nine months ended 30 September 2007, together with the comparative unaudited consolidated figures for the corresponding period in 2006 as follows:

		For the three months ended 30 September		For the nine months ended 30 September	
		2007	2006	2007	2006
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	(2)	19,825	11,629	51,486	31,021
Cost of sales		(5,929)	(4,532)	(15,839)	(11,634)
Gross profit		13,896	7,097	35,647	19,387
Other revenue		(80)	217	355	848
Selling and distribution expenses		(5,628)	(3,611)	(15,792)	(10,561)
Research and development expenses		(349)	(252)	(1,056)	(797)
Administrative expenses		(3,748)	(3,450)	(10,213)	(10,170)
Profit (loss) from operations		4,091	1	8,941	(1,293)
Finance costs		(201)	(192)	(697)	(466)
Profit (loss) before taxation		3,890	(191)	8,244	(1,759)
Taxation	(3)	(484)	(117)	(745)	(210)
Profit (loss) attributable to shareholders		<u>3,406</u>	<u>(308)</u>	<u>7,499</u>	<u>(1,969)</u>
Dividends		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		HK cents	HK cents	HK cents	HK cents
Earnings (loss) per share					
Basic	(4)	<u>0.96</u>	<u>(0.09)</u>	<u>2.15</u>	<u>(0.57)</u>
Diluted	(4)	<u>0.94</u>	<u>N/A</u>	<u>2.11</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 2006.

The consolidated results for the nine months ended 30 September 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 30 September		For the nine months ended 30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Proprietary products	11,291	6,354	28,722	17,547
License-in products	8,534	5,275	22,764	13,474
	<u>19,825</u>	<u>11,629</u>	<u>51,486</u>	<u>31,021</u>

Geographical segments

During the period ended 30 September 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.

3. Taxation

	For the three months ended 30 September		For the nine months ended 30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
PRC income tax	370	128	654	244
Deferred tax				
Provision (credit) of current period	114	(11)	91	(34)
Taxation attributable to the Group	<u>484</u>	<u>117</u>	<u>745</u>	<u>210</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 30 September		For the nine months ended 30 September	
	2007	2006	2007	2006
Net profit (loss) attributable to shareholders for the purpose of basic earnings (loss) per share	<u>HK\$3,406,000</u>	<u>HK\$(308,000)</u>	<u>HK\$7,499,000</u>	<u>HK\$(1,969,000)</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	355,983,696	346,225,000	349,513,645	346,225,000
Effect of dilutive potential ordinary shares: options and warrants	<u>6,777,810</u>	<u>N/A</u>	<u>5,394,211</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>362,761,506</u>	<u>N/A</u>	<u>354,907,856</u>	<u>N/A</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.

5. Share capital and reserves

	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	–	–	–	–	170	–	–	170
Issue of new shares upon exercise of share options	42	167	–	–	(32)	–	–	177
Issue of new shares upon exercise of warrants	3,293	11,458	–	–	–	–	–	14,751
Exchange rate adjustment not recognized in consolidated income statement	–	–	–	117	–	402	–	519
Profit for the period	–	–	–	–	–	–	7,499	7,499
At 30 September 2007	<u>20,646</u>	<u>44,121</u>	<u>9,200</u>	<u>3,354</u>	<u>804</u>	<u>1,229</u>	<u>(23,049)</u>	<u>56,305</u>
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	<u>17,311</u>	<u>32,496</u>	<u>9,200</u>	<u>3,173</u>	<u>607</u>	<u>498</u>	<u>(29,048)</u>	<u>34,237</u>

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2007 (2006: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

The Group's growth momentum continued in the third quarter of 2007. Turnover achieved record high of HK\$19.8 million, representing a sequential increase of 8% over last quarter and 70% increase over the same period last year. Profits after tax for the quarter reached HK\$3.4 million, up 5.4 % from the last quarter and bringing the profit after tax for the nine months ended 30 September 2007 to a new level of HK\$7.5 million.

Turnover for the nine months ended 30 September 2007 was HK\$51.5 million, an increase of 66% over same period last year. The newly launched product, *Slounase*® continued its strong growth momentum with sales amount increased by 37% over the second quarter. *Carnitene*® continued its strong growth with turnover increased by 72% for the nine months ended 30 September 2007 over same period last year.

Gross profit margin continued to improve from 62.5% for the nine months ended 30 September 2006 to 69.2% for the same period in 2007. The improvement in gross profit margin was mainly attributable to the increase in sales of proprietary products with higher gross profit margin.

Selling and distribution expenses to turnover ratio reduced to 28% for the third quarter of 2007 compared with 31% for the second quarter. The drop in ratio was mainly due to economy of scale from the increase in sales.

The administrative expenses for the nine months ended 30 September 2007 increased by 0.4% from the same period last year mainly due to increase in staff cost.

During the third quarter, Defiante Farmaceutica, Lda ("Defiante"), a wholly owned subsidiary of Sigma-Tau group, exercised its warrant and 65,850,000 shares were allotted and issued at the exercise price of HK\$0.224 per share. Following the allotment of the shares, Defiante's percentage holding in the Company increased from 16.71% to 29.99%. The Directors are pleased with the exercise, which is a manifest expression of Sigma-Tau's confidence in the Group and further cements the strategic partnership formed between the companies since 2004. The new funding will enable the Group to continue implementation of its growth strategy and aggressively expand its product portfolio.

Prospects

In August 2007, the Group has entered into an exclusive agreement for the registration, distribution and marketing of *Aloxi*® (palonosetron hydrochloride) in China. *Aloxi*® is approved by the US FDA and European EMEA for the prevention of acute CINV in patients taking moderately and highly emetogenic chemotherapy. The Directors believe that *Aloxi*®, with its demonstrated clinical efficacy in prevention of CINV, will have great potential to perform well in China's expanding market.

During the quarter, the Group has also made registration submission for one imported product and one in-house developed product. In addition, one imported product Acetyl-L-Carnitine has received approval for clinical study from China SFDA. As to date, the total number of drugs of the Group under SFDA review or undergone clinical study for registration purpose has reached nine (9), which provide a solid foundation for sustained growth of the Group.

With the continued strong selling of *Slounase*® and anticipated launch of newly license-in drug, Iron Proteinsuccinylate in the coming quarter, the Directors are confidence that Group will be able not only to maintain the present growth momentum in both turnover and profit, but also to achieve acceleration in the coming quarters.

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 2007.

By order of the Board

Lee Siu Fong

Chairperson

Hong Kong, 13 November 2007

As at the date thereof, Ms. Lee Siu Fong (Chairperson of the Company), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors; Dr. Mauro Bove is non-executive Director, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive Directors.

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