



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)

### FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

#### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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.*

*As at the date thereof, Ms. Lee Siu Fong (Chairperson of the Company), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors; Mr. 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.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://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](http://www.leespharm.com).*

\* for identification only

## **BUSINESS REVIEW**

2007 marked a complete and successful turnaround in the Group's performance. The first profitable year also witnessed significant progress in every aspect of the business, from manufacturing to sales, and from product development to partnership expansion.

### **Manufacturing facility**

The new manufacturing facility for eye gel was completed and trial run has been performed with success. The facility is ready for GMP inspection and certification by the China SFDA which will be carried out upon granting the New Drug Certificate in 2008.

### **Drug development**

The technical review of the Group's New Drug Application for its fifth proprietary product *Eyprotor*<sup>®</sup> by China SFDA's Center for Drug Evaluation has been completed with recommendation for approval in 2007. The product is now under administrative review by the China SFDA and it is expected to be launched in 2008.

Submission for application of clinical study for two of the Group's self-developed products has been made during the year. The applications have been accepted for review and approvals for clinical study are expected in 2008. Three other self-developed products are under various stages of development.

### **Imported Products registration**

During the year 2007, the Group submitted applications for clinical study of four imported products. The respective reviews are ongoing and approval is envisaged in 2008.

In addition, the Group successfully completed the pharmacokinetic study and clinical study of *Hibor*<sup>®</sup> (Bemiparin Sodium) for prevention of clotting during hemodialysis in November, 2007. The preparation of the dossier for application of Import Drug Permit is in its final stage and submission is expected soon.

The clinical studies of *Horus*<sup>®</sup>S coronary stent and Challenger PTA balloon has also completed in October, 2007. Clinical report for the Challenger balloon is ready and submission for Import Drug Permit will be made soon.

Imported drug Acetyl-L-Carnitine has received approval for clinical study from China SFDA during 2007 and study is scheduled to start in second quarter of 2008.

The Group has also achieved successful registration of one imported drug in China during the period. Import Drug Permit for L-Carnitine 2g injection was obtained in August, 2007.

## **International Partnerships**

The partnership of the Group continued to expand at a rapid pace in 2007. Development and distribution agreements have been entered into with four US and European companies covering six different products.

During the year under review, the Group has formed partnership with Italian company Italfarmaco for marketing of *Serestill*<sup>®</sup> and Iron Proteinsuccinylate Oral Solution. The latter has been launched into the market with very encouraging results.

The Group also acquired the marketing right of *Aloxi*<sup>®</sup> (palonosetron hydrochloride) in China from Swiss company Helsinn. *Aloxi*<sup>®</sup> is the newest generation 5HT3 receptors antagonist that has been approved in US and Europe and is currently being marketed in over 40 countries.

To make a headway in a fast growing anti-depression market in China, the Group has formed alliance with Italian company Angelini for registration and distribution of their newly formulated Trizodone in China.

The Group also signed an exclusive license agreement with Novelos Therapeutics, Inc. of US to develop and market in China, including Hong Kong and Macau, as well as in Taiwan, two of Novelos's compounds: NOV-002 for cancer and NOV-205 for hepatitis. NOV-002 is currently in phase III clinical study in US for non small cell lung cancer under a special protocol approved by US FDA.

## **Sales and marketing**

The sales and marketing organization made a great leap in 2007, evidenced by a 76% increase in sales which was led by remarkable growth in *Slounase*<sup>®</sup>, a product enter into its second year in market. The other three existing products *Livaracine*<sup>®</sup>, *Yallaferon*<sup>®</sup> and *Carnitene*<sup>®</sup> also registered significant growth in volume, increasing 21%, 62% and 85% respectively over the same period of last year.

The sales and marketing team continued to evolve and mature. As a result, the Group had improved its successful rate in tender and shortened its time to market for new product launch. The maturity also reflected on the continuing expansion of local partnership in 2007. The number of local distributors has grown from 400 in 2006 to over 500 in 2007, which resulted in further penetration of the Group's product into the hospitals in China.

Substantial resources had been put into brand building in 2007, especially for *Slounase*<sup>®</sup>. Post marketing was carried out for *Slounase*<sup>®</sup> in over 300 patients, further demonstrating its efficacy and safety. Efforts had also been focused on knowledge based promotion. In this regard, 269 seminars on the Group's products had been held through out China. In addition, the Group had participated in many significant professional conferences to broaden its presence in physician community in China. The Group was presented in conferences such as Great Wall Cardiology Congress and National Congress for gynaecological tumour.

2007 also saw the launch of Iron Proteinsuccinylate Oral Solution which was the Group's second in as many years. The product has been gaining acceptance quickly in the market place and will provide additional push to accelerate the Group's growth momentum in sales and marketing.

## **FINANCIAL REVIEW**

### **Turnover**

Turnover for the year ended 31 December 2007 was HK\$76.7 million, representing an increase of 76% from the same period in 2006. The increase was primarily due to increase in sales of *Carnitene*<sup>®</sup> and our newly launched proprietary product *Slounase*<sup>®</sup>.

### **Gross Profit Margin**

Gross profit margin for the year 2007 was 66.5% which recorded an improvement compared with gross profit margin of 61.3% for the year 2006. The increase in gross profit margin was mainly due to higher gross profit margin for the new product *Slounase*<sup>®</sup> and reduction of purchase cost of license-in product *Carnitene*<sup>®</sup>.

### **Administrative Expenses**

Administrative expenses decreased by 3.7% mainly due to reduction in bad debt provision for the year 2007.

### **Selling and Distribution expenses**

Selling and distribution expenses to turnover ratio for the year ended 31 December 2007 reduced to 29% compared with 33% for the same period last year due to the effectiveness of our marketing strategy. More products being launched during the year also contributed to the cost effectiveness in sales and marketing.

### **Exercise of Warrant**

In September 2007, the Company allotted 65,850,000 shares at the exercise price of HK\$0.224 per share to Defiante Farmaceutica, Lda (“Defiante”) upon exercise of warrant and Defiante’s percentage holding in the Company increased from 16.71% to 29.99%. The allotment further cements the strategic partnership formed with Sigma Tau Group in 2004. The new funding will also enable the Group to continue implementation of its growth strategy and aggressively expand its product portfolio.

### **PROSPECTS**

In light of the anticipated launch of *Eyprotor*® and *Slounase*® entering into fast growing pace, the directors are upbeat about the revenue and earning growth of the Group in 2008. It is expected that the growth momentum will continue and accelerate as a result of across board increase in product sales. The confidence in the future is further boosted by the successful expansion of international partnership and in-house drug development.

The Group currently has more than 15 products under different development stages stemming from both internal R&D as well as from the recent acquisition of licensing and distribution rights from various US and European companies. The solid foundation has been laid for sustained growth in the years to come.

**AUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Turnover	2	<b>76,712</b>	43,531
Cost of sales		<b>(25,719)</b>	(16,860)
Gross profit		<b>50,993</b>	26,671
Other revenue		<b>973</b>	922
Selling and distribution expenses		<b>(22,597)</b>	(14,420)
Research and development expenses		<b>(1,499)</b>	(1,113)
Administrative expenses		<b>(14,192)</b>	(14,737)
Profit (loss) from operations		<b>13,678</b>	(2,677)
Finance costs		<b>(890)</b>	(704)
Profit (loss) before taxation		<b>12,788</b>	(3,381)
Taxation	3	<b>(1,418)</b>	(88)
Net Profit (loss) attributable to shareholders		<b><u>11,370</u></b>	<b><u>(3,469)</u></b>
Dividends	4	<b><u>3,305</u></b>	<b><u>–</u></b>
		<b>HK cents</b>	HK cents
Earnings (loss) per Share			
Basic	5	<b><u>3.11</u></b>	<b><u>(1.00)</u></b>
Diluted	5	<b><u>3.06</u></b>	<b><u>N/A</u></b>

## AUDITED CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	<i>Notes</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Non-current Assets</b>			
Property, plant and equipment		15,253	14,484
Intangible assets		17,800	14,225
Lease premium for land		1,212	1,162
Goodwill		3,900	3,900
		<b>38,165</b>	33,771
<b>Current Assets</b>			
Lease premium for land		31	29
Inventories		8,521	4,075
Trade receivables	6	9,043	4,161
Other receivables, deposits and prepayments		12,212	3,757
Pledged bank deposits		2,012	2,012
Time deposits		10,360	–
Cash and bank balances		6,254	4,815
		<b>48,433</b>	18,849
<b>Current Liabilities</b>			
Trade payables	7	5,809	666
Other payables		13,084	6,319
Bank overdraft		–	819
Short term borrowings		4,228	10,326
Tax payable		1,131	134
		<b>24,252</b>	18,264
<b>Net Current Assets</b>		<b>24,181</b>	585
<b>Total Assets less Current Liabilities</b>		<b>62,346</b>	34,356
<b>Capital and Reserves</b>			
Share capital		20,656	17,311
Reserves		40,169	15,878
<b>Equity attributable to shareholders of the Company</b>		<b>60,825</b>	33,189
<b>Non-current Liabilities</b>			
Deferred tax liabilities		1,071	599
Long-term borrowings		450	568
		<b>1,521</b>	1,167
		<b>62,346</b>	34,356

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	Share capital	Share premium	Merger difference	Revaluation reserve	Share-based compensation reserve	Exchange reserves	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	17,311	32,496	9,200	3,237	666	827	(30,548)	33,189
Employee share option benefits	-	-	-	-	226	-	-	226
Exercise of share options	53	203	-	-	(41)	-	-	215
Issue of new shares upon exercise of warrants	3,292	11,455	-	-	-	-	-	14,747
Exchange rate adjustment not recognized in consolidated income statement	-	-	-	226	-	852	-	1,078
Net profit for the year	-	-	-	-	-	-	11,370	11,370
At 31 December 2007	<u>20,656</u>	<u>44,154</u>	<u>9,200</u>	<u>3,463</u>	<u>851</u>	<u>1,679</u>	<u>(19,178)</u>	<u>60,825</u>
At 1 January 2006	17,311	32,496	9,200	3,106	443	183	(27,079)	35,660
Employee share option benefits	-	-	-	-	223	-	-	223
Exchange rate adjustment not recognized in consolidated income statement	-	-	-	131	-	644	-	775
Net loss for the year	-	-	-	-	-	-	(3,469)	(3,469)
At 31 December 2006	<u>17,311</u>	<u>32,496</u>	<u>9,200</u>	<u>3,237</u>	<u>666</u>	<u>827</u>	<u>(30,548)</u>	<u>33,189</u>



Notes:

## 1. Basis of preparation

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are either effective for accounting periods beginning on or after 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

The consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of leasehold buildings.

The consolidated financial statements have been prepared in accordance with the new HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

## 2. Segment information

### *Business segments*

For management purposes, the Group is currently organised into two operating divisions – proprietary products and licensed products. These divisions are on the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Proprietary products – manufacture and sale of self-developed pharmaceutical products
- Licensed products – trading of license-in pharmaceutical products

Segment information about these businesses is presented below:

	Proprietary products		Licensed products		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	<b>41,248</b>	24,169	<b>35,464</b>	19,362	<b>76,712</b>	43,531
Segment results	<b>11,239</b>	2,370	<b>4,289</b>	(3,655)	<b>15,528</b>	(1,285)
Interest income					227	27
Unallocated expenses					(2,077)	(1,419)
Profit (loss) from operations					<b>13,678</b>	(2,677)
Finance costs					(890)	(704)
Profit (loss) before taxation					<b>12,788</b>	(3,381)
Taxation					(1,418)	(88)
Profit (loss) attributable to shareholders					<b>11,370</b>	(3,469)
Segment assets	<b>51,294</b>	40,363	<b>22,932</b>	10,245	<b>74,226</b>	50,608
Unallocated assets					12,372	2,012
Total assets					<b>86,598</b>	52,620
Segment liabilities	<b>11,550</b>	10,247	<b>14,223</b>	9,184	<b>25,773</b>	19,431
Unallocated liabilities					–	–
Total liabilities					<b>25,773</b>	19,431

### **Geographical segments**

During the years ended 31 December 2007 and 2006, more than 90% of the Group's turnover was derived from activities conducted in the PRC, no geographical segmental information on turnover is presented. The Group's segment assets and liabilities for the year, analysed by geographical market, are as follows:

	<b>The PRC</b>		<b>Hong Kong</b>		<b>Total</b>	
	<b>2007</b>	2006	<b>2007</b>	2006	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Segment assets	<b>41,486</b>	30,852	<b>45,112</b>	21,768	<b>86,598</b>	52,620
Segment liabilities	<b>11,550</b>	10,247	<b>14,223</b>	9,184	<b>25,773</b>	19,431

### **3. Taxation**

	<b>The Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Current tax		
Hong Kong	–	–
The PRC	<b>988</b>	134
Deferred tax		
Provision/(credit) of current year	<b>430</b>	(46)
Taxation attributable to the Group	<b>1,418</b>	88

Hong Kong Profits Tax has not been provided as the Group had no assessable profit in Hong Kong for the year.

Taxes arising in other jurisdictions of the PRC are calculated at the rates of tax prevailing in the PRC.

### **4. Dividends**

At a meeting held on 18 March 2008, the Directors recommend the declaration of a final dividend of HK\$0.008 per share for the year ended 31 December 2007. This proposed dividend is not included as a dividend payable in the consolidated balance sheet as at 31 December 2007.

## 5. Earnings (loss) per share

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

	<b>The Group</b>	
	<b>2007</b>	2006
Net profit (loss) attributable to shareholders for the purpose of basic and diluted earnings (loss) per share	<b>HK\$11,370,000</b>	HK\$(3,469,000)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	<b>365,519,795</b>	346,225,000
Effect of dilutive potential ordinary shares:		
Options and warrants	<b>6,139,691</b>	N/A
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<b>371,659,486</b>	N/A

No diluted loss per share for the year ended 31 December 2006 is presented as the potential ordinary shares in respect of outstanding share options and warrants are anti-dilutive.

## 6. 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.

	<b>The Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
1-90 days	<b>8,729</b>	3,933
91-180 days	<b>283</b>	193
181-365 days	<b>63</b>	49
Over 365 days and under 3 years	<b>75</b>	47
	<b>9,150</b>	4,222
Less: Allowance for bad and doubtful debts	<b>(107)</b>	(61)
	<b>9,043</b>	4,161

## 7. Trade payables

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

	<b>The Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
1-90 days	<b>5,809</b>	666
91-180 days	–	–
181-365 days	–	–
Over 365 days	–	–
	<hr/>	<hr/>
	<b>5,809</b>	666
	<hr/> <hr/>	<hr/> <hr/>

## DIVIDENDS

The Board of Directors recommended a final dividend of HK\$0.008 per share (2006: Nil) to shareholders registered in the Company's Register of Members as at the close of business on 30 April 2008. Upon approval by shareholders, the final dividend will be paid on or about 7 May 2008.

## CLOSURE OF REGISTER OF MEMBERS

The Register of members will be closed from Friday, 25 April 2008 to Wednesday, 30 April 2008 (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 24 April 2008.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2007 (2006: Nil).

## AUDIT COMMITTEE

The Group's audited results for the year ended 31 December 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## **CORPORATE GOVERNANCE PRACTICES**

The Group has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules throughout the financial year ended 31 December 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.

By order of the Board  
**Lee’s Pharmaceutical Holdings Limited**  
**Lee Siu Fong**  
*Chairman*

Hong Kong, 18 March 2008