



## 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 2008

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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 ended 31 March 2008, together with the comparative unaudited consolidated figures for the corresponding period in 2007 as follows:

		<b>For the three months ended 31 March</b>	
		<b>2008</b>	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(2)	<b>22,513</b>	13,321
Cost of sales		<b>(6,595)</b>	(4,194)
Gross profit		<b>15,918</b>	9,127
Other revenue		<b>559</b>	116
Selling and distribution expenses		<b>(6,935)</b>	(4,446)
Research and development expenses		<b>(317)</b>	(337)
Administrative expenses		<b>(4,304)</b>	(3,310)
Profit from operations		<b>4,921</b>	1,150
Finance costs		<b>(108)</b>	(256)
Profit before taxation		<b>4,813</b>	894
Taxation	(3)	<b>(620)</b>	(33)
Net profit attributable to shareholders		<b>4,193</b>	861
Dividends		—	—
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	(4)	<b>1.01</b>	0.25
Diluted	(4)	<b>1.00</b>	0.24

*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 2007.

The consolidated results for the three months ended 31 March 2008 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*

	<b>For the three months ended 31 March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Proprietary products	<b>13,714</b>	7,521
License-in products	<b>8,799</b>	5,800
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	<b>22,513</b>	13,321
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*Geographical segments*

During the period ended 31 March 2008 and 2007, 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	
	2008	2007
	HK\$'000	HK\$'000
Current tax		
The PRC	540	45
Deferred tax		
Provision (credit) of current period	80	(12)
Taxation attributable to the Group	<u>620</u>	<u>33</u>

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

Tax arising in the PRC is calculated at the rates of tax prevailing in the PRC.

### 4. Earnings per share

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

	For the three months ended 31 March	
	2008	2007
	HK\$'000	HK\$'000
Net profit attributable to shareholders for the purpose of basic and diluted earnings per share	<u>4,193,000</u>	<u>861,000</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	414,209,615	346,225,000
Effect of dilutive potential ordinary shares: options and warrants	<u>6,737,669</u>	<u>12,031,265</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>420,947,284</u>	<u>358,256,265</u>

## 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 2008	20,656	44,154	9,200	3,463	851	1,679	(19,178)	60,825
Employee share option benefits	-	-	-	-	80	-	-	80
Exercise of share options	75	278	-	-	(56)	-	-	297
Exchange rate adjustment not recognized in consolidated income statement	-	-	-	130	-	577	-	707
Net profit for the period	-	-	-	-	-	-	4,193	4,193
At 31 March 2008	<u>20,731</u>	<u>44,432</u>	<u>9,200</u>	<u>3,593</u>	<u>875</u>	<u>2,256</u>	<u>(14,985)</u>	<u>66,102</u>
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
Net 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>

Final dividend for the year ended 31 December 2007 of HK\$3,319,000 was paid on 7 May 2008. The final dividend is not included as a dividend payable in the consolidated balance sheet as at 31 March 2008.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2008 (2007: Nil).

## **BUSINESS REVIEW**

The growth momentum of the Group continued in the first quarter of 2008. Turnover increased by HK\$9 million or 69% compared with same period last year to HK\$22.5 million. Net profit after tax for the current period was HK\$4.19 million, a jump of 387% compared with the same period in 2007 and up 8.3% from the fourth quarter of 2007.

The continuing and significant increase in turnover and profit in the first quarter of 2008 were attributed to the robust sales performance of the Group's three existing products. Sales of the newly launched product *Slounase*<sup>®</sup> kept going strong with turnover increased by 447% from the same period last year and up 16% compared with the fourth quarter of 2007. *Carnitene*<sup>®</sup> and *Livaracine*<sup>®</sup> maintained its significant growth momentum in the first quarter of 2008 with increase of sales by 47% and 29% respectively compared with the same period in 2007.

The gross profit margin for the first quarter of 2008 also improved to 70.7% from 68.5% for the same period in 2007. The higher margin was achieved primarily due to increase in sales of the newly launched proprietary product *Slounase*<sup>®</sup>, which has a relatively higher gross profit margin compared with license-in products.

Selling expenses to turnover ratio continued its decreasing trend and dropped to 30.8% for the first quarter of 2008 from 33.4% for the same period in 2007. Overall significant increase in sales helped to drive the improvement in marketing and sales efficiency.

During the period under review, the Group further increased its commitment to drug research and development. Two clinical studies were initiated in the first quarter of 2008 which involves 13 centers and 9 centers respectively in China. As to date, the Group has 19 products under different development stages with four clinical studies on going. One new member was added to the group's ever expanded product pipeline when the Group signed a distribution agreement with Switzerland company Helsinn for *Gelclair*<sup>®</sup>, a cancer supportive care product.

## **PROSPECTS**

We remain confident that the growth momentum of the Group will continue throughout the year and beyond. Both the newly launched product *Slounase*<sup>®</sup> and licensed product *Carnitene*<sup>®</sup> will further contribute to the increase in growth rate.

In addition, during the period under review, the Group held four seminars in Guangzhou, Hangzhou and Beijing with speakers from local and overseas experts to promote the new product *Iron Proteinsuccinylate Oral Solution*. Over 500 doctors attended the four seminars which has significantly enhanced the product profile and awareness. We expect that the sales of the new product will accelerate in the remaining of the year and contribute to the overall growth of the Group in 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 listed securities during the three months ended 31 March 2008.

As at the date of this announcement, the Board comprises the following directors:

##### **Executive directors:**

Ms. Lee Siu Fong (*Chairman*)

Ms. Leelalertsuphakun Wanee

Dr. Li Xiaoyi

##### **Non-executive director:**

Mr. 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**

*Chairman*

Hong Kong, 14 May 2008