



## 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 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”) is pleased to announce 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 2008, together with the comparative unaudited consolidated figures for the corresponding period in 2007 as follows:

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	(2)	<b>34,977</b>	19,825	<b>89,760</b>	51,486
Cost of sales		<b>(10,595)</b>	(5,929)	<b>(26,352)</b>	(15,839)
Gross profit		<b>24,382</b>	13,896	<b>63,408</b>	35,647
Other revenue		<b>386</b>	(80)	<b>1,573</b>	355
Selling and distribution expenses		<b>(9,860)</b>	(5,628)	<b>(26,102)</b>	(15,792)
Research and development expenses		<b>(527)</b>	(349)	<b>(1,325)</b>	(1,056)
Administrative expenses		<b>(5,260)</b>	(3,748)	<b>(14,375)</b>	(10,213)
Profit from operations		<b>9,121</b>	4,091	<b>23,179</b>	8,941
Finance costs		<b>(104)</b>	(201)	<b>(371)</b>	(697)
Profit before taxation		<b>9,017</b>	3,890	<b>22,808</b>	8,244
Taxation	(3)	<b>(679)</b>	(484)	<b>(2,106)</b>	(745)
Profit attributable to shareholders		<b>8,338</b>	3,406	<b>20,702</b>	7,499
Dividends	(4)	<b>–</b>	–	<b>2,074</b>	–
Earnings per share		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic	(5)	<b>2.01</b>	0.96	<b>4.99</b>	2.15
Diluted	(5)	<b>1.98</b>	0.94	<b>4.91</b>	2.11

## 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 except as described below.

For the current period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA which are effective for accounting period beginning on or after 1 January 2008. The adoption of the new interpretations has no material effects on how the results and financial position for the current or prior accounting periods are prepared and presented.

HK (IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Arrangements
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not early applied the following new revised HKFRSs relevant to the condensed consolidated financial statements 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>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combination <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HKAS 1 and HKAS 32 Amendment	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <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 July 2009

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

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

The consolidated results for the nine months ended 30 September 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*

	For the three months ended 30 September		For the nine months ended 30 September	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Proprietary products	<b>19,363</b>	11,291	<b>51,794</b>	28,722
License-in products	<b>15,614</b>	8,534	<b>37,966</b>	22,764
	<b>34,977</b>	19,825	<b>89,760</b>	51,486

### *Geographical segments*

During the period ended 30 September 2008 and 2007, 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	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax				
The PRC	<b>399</b>	370	<b>1,582</b>	654
Deferred tax				
Provision of current period	<b>280</b>	114	<b>524</b>	91
Taxation attributable to the Group	<b>679</b>	484	<b>2,106</b>	745

Hong Kong Profits Tax has not been provided as the Group had no estimated 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. Dividend

An interim dividend of HK\$0.005 per share, totalling HK\$2,074,000 for the six months ended 30 June 2008 was declared on 12 August 2008 and paid on 18 September 2008.

The Board does not recommend the payment of other interim dividend for the third quarter of 2008.

#### 5. Earnings per share

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2008	2007	2008	2007
Net profit attributable to shareholders for the purpose of basic and diluted earnings per share	<b>HK\$8,338,000</b>	HK\$3,406,000	<b>HK\$20,702,000</b>	HK\$7,499,000
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>414,877,628</b>	355,983,696	<b>414,635,766</b>	349,513,645
Effect of dilutive potential ordinary shares: options	<b>7,060,452</b>	6,777,810	<b>6,706,091</b>	5,394,211
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>421,938,080</b>	362,761,506	<b>421,341,857</b>	354,907,856

## 6. Share capital and reserves

	Share capital	Share premium	Merger difference	Revaluation reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	20,656	44,154	9,200	3,463	851	1,679	(19,178)	60,825
Exercise of share options	88	329	-	-	(69)	-	-	348
Share option benefits	-	-	-	-	238	-	-	238
Exchange rate adjustment not recognized in consolidated income statement	-	-	-	227	-	1,204	-	1,431
Profit for the period	-	-	-	-	-	-	20,702	20,702
2007 final dividend paid	-	-	-	-	-	-	(3,319)	(3,319)
2008 interim dividend paid	-	-	-	-	-	-	(2,074)	(2,074)
<b>At 30 September 2008</b>	<b>20,744</b>	<b>44,483</b>	<b>9,200</b>	<b>3,690</b>	<b>1,020</b>	<b>2,883</b>	<b>(3,869)</b>	<b>78,151</b>
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
<b>At 30 September 2007</b>	<b>20,646</b>	<b>44,121</b>	<b>9,200</b>	<b>3,354</b>	<b>804</b>	<b>1,229</b>	<b>(23,049)</b>	<b>56,305</b>

## **BUSINESS REVIEW AND PROSPECTS**

### **Business Review**

The Group had kept up the rapid pace of growth in the third quarter with substantial increase in both revenue and profit. Sales for the third quarter of 2008 was HK\$34.98 million, a 76% increase compared to HK\$19.9 million in the third quarter of 2007 and represented an 8% sequential increase over the second quarter of 2008. Profit after tax for the third quarter of 2008 was HK\$8.3 million, a 145% increase over the third quarter of 2007 and up 2% compared with the second quarter of 2008.

The Group's revenue for the nine months ended 30 September 2008 reached a record high of HK\$89.8 million, an increase of 74% over the same period last year. Profit after tax for the nine months period of 2008 also attained a new height of HK\$20.7 million, representing a 176% increase compared with the same period in 2007.

The significant increase in revenue for the nine-month period was primarily driven by continuing strong performance of the Group's newly launched in-house product *Slounase*®. Existing product *Yallaferon*® was also a major contributor to the growth with an increase of 60% over the same period last year. The sales of the newly launched license-in product Iron Proteinsuccinylate also experienced stable growth during the period, in line with the management's expectation.

The substantial growth in profitability of the Group could be attributed mainly to the increase in revenue and improvement in gross margin. For the nine months ended 30 September 2008, the gross margin increased to 70.6% from 69.2% of same period last year, despite an unfavorable exchange rate for the licensed products. The improvement in gross margin was mainly the results of enhancing productivity and manufacturing efficiency for in-house developed products.

Selling and distribution expenses to turnover ratio continued its downward trend, reduced to 28.19% for the third quarter of 2008 from 28.84% for the second quarter. The reduction was more significant when comparing the ratio of 29.1% for the nine months ended 30 September 2008 and the ratio of 30.7% for the same period in 2007. The drop in ratio was mainly the results of benefiting from increase in economy of scale in sales.

During the third quarter, the Group's eye gel workshop was GMP certified by China's SFDA which led to the launch of our first ophthalmology product *Eyprotor*® in September 2008. This is the third successful launch in recent three years, a further affirmation of the Group's development capability and capacity.

Significant progress was also made during the quarter in the area of clinical study. Both reports for Bemiparin study and *Horus®S* stent study had been completed. PLC and ALC clinical studies have started patient enrollment and progressed well. Clinical study for *Veloderm®* in skin graft was initiated which brings the Group's total ongoing clinical studies to four. Three other clinical studies have entered planning and preparation phase in the third quarter.

For partnership development, we signed three licensing agreements with US and European companies for development, registration and marketing of pharmaceutical products in the areas of oncology, pain management and neurology in the third quarter.

### **Prospects**

The renovation of the Group's Hefei manufacturing facility has been completed. The increase in automation and improvement in overall production environment will not only enhance the Group's production capacity, but also strengthen the Group's quality assurance capability.

The Group remains confident on its growth prospect for the rest of the year. It is expected that all five existing products continue to register phenomenal growth, with *Slounase®* leading the pack. The newly launched product *Eyprotor®* will further expand the Group's revenue base.

### **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 2008.

By order of the Board  
**Lee Siu Fong**  
*Chairman*

Hong Kong, 12 November 2008

*As at the date thereof, Ms. Lee Siu Fong (Chairman 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).*