



## 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 2009

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

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 ended 31 March 2009, together with the comparative unaudited consolidated figures for the corresponding period in 2008 as follows:

		<b>For the three months ended 31 March</b>	
		<b>2009</b>	2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(2)	<b>33,035</b>	22,513
Cost of sales		<b>(9,433)</b>	(6,595)
		<hr/>	<hr/>
Gross profit		<b>23,602</b>	15,918
Other revenue		<b>388</b>	559
Selling and distribution expenses		<b>(10,028)</b>	(6,935)
Research and development expenses		<b>(601)</b>	(317)
Administrative expenses		<b>(4,735)</b>	(4,304)
		<hr/>	<hr/>
Profit from operations		<b>8,626</b>	4,921
Finance costs		<b>(52)</b>	(108)
		<hr/>	<hr/>
Profit before taxation		<b>8,574</b>	4,813
Taxation	(3)	<b>(772)</b>	(620)
		<hr/>	<hr/>
Profit attributable to shareholders		<b>7,802</b>	4,193
		<hr/> <hr/>	<hr/> <hr/>
Dividends		–	–
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	(4)	<b>1.88</b>	1.01
		<hr/> <hr/>	<hr/> <hr/>
Diluted	(4)	<b>1.85</b>	1.00
		<hr/> <hr/>	<hr/> <hr/>

## Unaudited condensed consolidated statement of comprehensive income

	For the three months ended 31 March	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to shareholders	<b>7,802</b>	4,193
Other comprehensive income:		
Exchange differences on translation of:		
– financial statements of overseas subsidiary	–	577
– revaluation of overseas buildings	–	130
	<hr/>	<hr/>
Other comprehensive income attributable to shareholders, net of tax	–	707
	<hr/>	<hr/>
Total comprehensive income attributable to shareholders	<b><u>7,802</u></b>	<b><u>4,900</u></b>

*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 2008 except as described below.

In the current year, the Company has applied the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are or have become effective.

HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)- Int 15	Agreements for the Construction of Real Estate
HK (IFRIC)- Int 16	Hedges of a Net Investment in a Foreign Operation

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 Company has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKAS 39 (Amendments)	Eligible Hedged Items <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HK(IFRIC)- Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC)- Int 18	Transfers of Assets from Customers <sup>1</sup>

Apart from the above, the HKICPA has also issued Improvements to HKFRSs\* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC)-Int 9, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

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

\* Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS 2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC)-Int 2.

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 Company.

The consolidated results for the three months ended 31 March 2009 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 31 March	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Proprietary products	19,535	13,714
License-in products	13,500	8,799
	33,035	22,513

### Geographical segments

During the period ended 31 March 2009 and 2008, 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	
	2009 HK\$'000	2008 HK\$'000
Current tax		
The PRC	645	540
Deferred tax		
Provision of current period	127	80
Taxation attributable to the Group	<u>772</u>	<u>620</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	
	2009	2008
Net profit attributable to shareholders for the purpose of basic and diluted earnings per share	<u>HK\$7,802,000</u>	<u>HK\$4,193,000</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	415,275,000	414,209,615
Effect of dilutive potential ordinary shares: options	5,689,670	6,737,669
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>420,964,670</u>	<u>420,947,284</u>

## 5. Share capital and reserves

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger difference <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Other comprehensive income		Retained profits (Accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
					Revaluation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>		
At 1 January 2009	20,764	44,533	9,200	1,088	3,657	2,604	3,489	85,335
Employee share option benefits	-	-	-	79	-	-	-	79
Total comprehensive income attributable to shareholders	-	-	-	-	-	-	7,802	7,802
At 31 March 2009	<u>20,764</u>	<u>44,533</u>	<u>9,200</u>	<u>1,167</u>	<u>3,657</u>	<u>2,604</u>	<u>11,291</u>	<u>93,216</u>
At 1 January 2008	20,656	44,154	9,200	851	3,463	1,679	(19,178)	60,825
Employee share option benefits	-	-	-	80	-	-	-	80
Exercise of share options	75	278	-	(56)	-	-	-	297
Total comprehensive income attributable to shareholders	-	-	-	-	130	577	4,193	4,900
At 31 March 2008	<u>20,731</u>	<u>44,432</u>	<u>9,200</u>	<u>875</u>	<u>3,593</u>	<u>2,256</u>	<u>(14,985)</u>	<u>66,102</u>

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2009 (2008: Ni1).

## **BUSINESS REVIEW**

Despite the global financial crisis and severe economic conditions faced by business, the Group had achieved yet another solid result in the first quarter of 2009, keeping pace with the growth momentum of 2008. Both turnover and net profit registered increase of 46.7% and 86% compared with the results of same period last year, reaching the level of HK\$33 million and 7.8 million respectively. The results represented the nine consecutive quarters of high double digit growth in turnover of the Group.

The growth in turnover was contributed by increase in sales of all products, with the second year product Iron Proteinsuccinylate Oral Solution achieving the highest increment of 288%, followed by 75% sales increment of *Slounase*<sup>®</sup>, and 45% sales increment of *Yallaferon*<sup>®</sup>.

Net profit after tax for the current period was HK\$7.8 million. Gross profit margin for the first quarter of 2009 also improved to 71.4% from 70.7% for the same period in 2008. Improvement was mainly due to decrease in cost of *Carnitene*<sup>®</sup>.

Selling and distribution expenses to turnover ratio for the current period was 30.4% which was similar to the ratio of 30.8% for first quarter of 2008 as the Group have continued to invest in new product launch, marketing and promotion.

Administrative expenses increased by HK\$0.4 million compared with the first quarter of 2008 mainly due to increase in staff cost and other operating expenses to cope with the increase in transaction volume, evidenced by the increase of more than 27% in the Group's headcount in comparison with the same period last year.

During the period under review, the Group concluded a license agreement with Nippon Shinyaku Co. Ltd., a listed pharmaceutical company in Japan, for the pharmaceutical product containing antibacterial agent "Prulifloxacin" for the treatment of urinary tract infections and respiratory tract infections.

## **PROSPECTS**

As the Group continues to expand its sales and marketing organization, it is confident that the sales of all existing products will sustain the current rapid growth trend, helping to drive the Group's development to a new level.

The registration of both *Veloderm*<sup>®</sup> and *Challenger* balloon is entering the final stage and granting of the import license could be expected in the coming quarters. The launch of these new products will offer new growth opportunity to the Group and enhance its sustainability.



Last but not the least, the license agreement with Nippon Shinyaku, a prestige, research-based pharmaceutical company in Japan signifies a breakthrough in the Group's corporate development. It boosts the Group's status as a preferred partner in China for the worldwide research-based pharmaceutical companies, making it possible for the Group to further strengthen its pipeline and to maintain its future growth.

#### **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 2009.

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 2009