



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

| | <i>Notes</i> | For the three months ended 30 September | | For the nine months ended 30 September | |
|--------------------------------------|--------------|--|------------------------|---|------------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | (2) | 46,277 | 34,977 | 122,890 | 89,760 |
| Cost of sales | | (12,252) | (10,595) | (33,420) | (26,352) |
| Gross profit | | 34,025 | 24,382 | 89,470 | 63,408 |
| Other revenue | | 1,049 | 386 | 1,428 | 1,573 |
| Selling and distribution expenses | | (12,437) | (9,860) | (34,524) | (26,102) |
| Research and development expenses | | (1,315) | (527) | (2,964) | (1,325) |
| Administrative expenses | | (5,637) | (5,260) | (15,341) | (14,375) |
| Profit from operations | | 15,685 | 9,121 | 38,069 | 23,179 |
| Finance costs | | (211) | (104) | (436) | (371) |
| Profit before taxation | | 15,474 | 9,017 | 37,633 | 22,808 |
| Taxation | (3) | (2,088) | (679) | (4,161) | (2,106) |
| Profit attributable to shareholders | | <u>13,386</u> | <u>8,338</u> | <u>33,472</u> | <u>20,702</u> |
| Dividends | (4) | <u>–</u> | <u>–</u> | <u>3,325</u> | <u>2,074</u> |
| | | <i>HK cents</i> | <i>HK cents</i> | <i>HK cents</i> | <i>HK cents</i> |
| Earnings per share | | | | | |
| Basic | (5) | <u>3.12</u> | <u>2.01</u> | <u>7.97</u> | <u>4.99</u> |
| Diluted | (5) | <u>3.05</u> | <u>1.98</u> | <u>7.83</u> | <u>4.91</u> |

Unaudited condensed consolidated statement of comprehensive income

| | For the nine months ended | |
|---|---------------------------|----------------------|
| | 30 September | |
| | 2009 | 2008 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit attributable to shareholders | <u>33,472</u> | <u>20,702</u> |
| Other comprehensive income: | | |
| Exchange differences on translation of: | | |
| – financial statements of overseas subsidiary | 348 | 1,204 |
| – revaluation of overseas buildings | <u>32</u> | <u>227</u> |
| Other comprehensive income attributable to shareholders, net of tax | <u>380</u> | <u>1,431</u> |
| Total comprehensive income attributable to shareholders | <u><u>33,852</u></u> | <u><u>22,133</u></u> |

Condensed consolidated statement of financial position

| | (Unaudited) 30 September 2009 <i>HK\$'000</i> | (Audited) 31 December 2008 <i>HK\$'000</i> |
|--|--|---|
| Non-current Assets | | |
| Property, plant and equipment | 25,649 | 19,582 |
| Intangible assets | 35,435 | 26,506 |
| Lease premium for land | 1,234 | 1,248 |
| Goodwill | 3,900 | 3,900 |
| | <u>66,218</u> | <u>51,236</u> |
| Current Assets | | |
| Lease premium for land | 33 | 33 |
| Inventories | 29,929 | 6,867 |
| Trade receivables | 13,645 | 17,914 |
| Other receivables, deposits and prepayments | 13,347 | 7,666 |
| Pledged bank deposits | 2,012 | 2,012 |
| Time deposits | 19,501 | 4,662 |
| Cash and bank balances | 37,696 | 17,520 |
| | <u>116,163</u> | <u>56,674</u> |
| Current Liabilities | | |
| Trade payables | 6,753 | 1,598 |
| Bills payable | 1,134 | – |
| Other payables | 18,165 | 14,657 |
| Tax payable | 2,074 | 676 |
| Short term borrowings | 10,095 | 3,837 |
| Obligation under finance lease | 127 | – |
| | <u>38,348</u> | <u>20,768</u> |
| Net Current Assets | <u>77,815</u> | <u>35,906</u> |
| Total Assets less Current Liabilities | <u><u>144,033</u></u> | <u><u>87,142</u></u> |

| | (Unaudited) 30 September 2009 <i>HK\$'000</i> | (Audited) 31 December 2008 <i>HK\$'000</i> |
|---|---|---|
| Capital and Reserves | | |
| Share capital | 22,425 | 20,764 |
| Reserves | <u>108,895</u> | <u>64,571</u> |
| Equity Attributable to Shareholders of the Company | <u>131,320</u> | <u>85,335</u> |
| Non-current Liabilities | | |
| Deferred tax liabilities | 3,188 | 1,807 |
| Long-term borrowings | 8,991 | – |
| Obligation under finance lease | <u>534</u> | <u>–</u> |
| | <u>12,713</u> | <u>1,807</u> |
| | <u><u>144,033</u></u> | <u><u>87,142</u></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 2008 except as described below.

In the current period, the Group 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 Group 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 ¹ |
| HKAS 39 (Amendments) | Eligible Hedged Items ¹ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ¹ |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners ¹ |
| HK(IFRIC)-Int 18 | Transfers of Assets from Customers ¹ |

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.

¹ 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 Group.

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.

Business segments

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|----------------------|--|------------------|---|------------------|
| | 2009 HK\$'000 | 2008 HK\$'000 | 2009 HK\$'000 | 2008 HK\$'000 |
| Proprietary products | 28,034 | 19,363 | 74,180 | 51,794 |
| License-in products | 18,243 | 15,614 | 48,710 | 37,966 |
| | <u>46,277</u> | <u>34,977</u> | <u>122,890</u> | <u>89,760</u> |

Geographical segments

During the period ended 30 September 2009 and 2008, 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 | |
|------------------------------------|--|------------------|---|------------------|
| | 2009 HK\$'000 | 2008 HK\$'000 | 2009 HK\$'000 | 2008 HK\$'000 |
| Current tax | | | | |
| The PRC | 1,011 | 399 | 2,796 | 1,582 |
| Deferred tax | | | | |
| Provision of current period | 1,077 | 280 | 1,365 | 524 |
| Taxation attributable to the Group | 2,088 | 679 | 4,161 | 2,106 |

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\$0.008 per share, totalling HK\$3,325,000 for the six months ended 30 June 2009 was declared on 14 August 2009. The actual interim dividend paid on 24 September 2009 was HK\$3,586,000 due to additional shares issued after 30 June 2009.

The Board does not recommend the payment of other interim dividend for the third quarter of 2009.

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 | |
|---|--|---------------|---|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| Net profit attributable to shareholders for the purpose of basic and diluted earnings per share | HK\$13,386,000 | HK\$8,338,000 | HK\$33,472,000 | HK\$20,702,000 |
| Number of shares: | | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 429,222,582 | 414,877,628 | 420,000,559 | 414,635,766 |
| Effect of dilutive potential ordinary shares: options | 9,568,690 | 7,060,452 | 7,465,812 | 6,706,091 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 438,791,272 | 421,938,080 | 427,466,371 | 421,341,857 |

6. 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 |
| Exercise of share options | 147 | 776 | - | (113) | - | - | - | 810 |
| Share option benefits | - | - | - | 240 | - | - | - | 240 |
| Issue of ordinary shares | 1,514 | 17,723 | - | - | - | - | - | 19,237 |
| Total comprehensive income attributable to shareholders | - | - | - | - | 32 | 348 | 33,472 | 33,852 |
| 2008 final dividend paid | - | - | - | - | - | - | (4,568) | (4,568) |
| 2009 interim dividend paid | - | - | - | - | - | - | (3,586) | (3,586) |
| At 30 September 2009 | <u>22,425</u> | <u>63,032</u> | <u>9,200</u> | <u>1,215</u> | <u>3,689</u> | <u>2,952</u> | <u>28,807</u> | <u>131,320</u> |
| At 1 January 2008 | 20,656 | 44,154 | 9,200 | 851 | 3,463 | 1,679 | (19,178) | 60,825 |
| Exercise of share options | 88 | 329 | - | (69) | - | - | - | 348 |
| Share option benefits | - | - | - | 238 | - | - | - | 238 |
| Total comprehensive income attributable to shareholders | - | - | - | - | 227 | 1,204 | 20,702 | 22,133 |
| 2007 final dividend paid | - | - | - | - | - | - | (3,319) | (3,319) |
| 2008 interim dividend paid | - | - | - | - | - | - | (2,074) | (2,074) |
| At 30 September 2008 | <u>20,744</u> | <u>44,483</u> | <u>9,200</u> | <u>1,020</u> | <u>3,690</u> | <u>2,883</u> | <u>(3,869)</u> | <u>78,151</u> |

BUSINESS REVIEW AND PROSPECTS

Business Review

In keeping up with the growth momentum of first two quarters of the year, the Group recorded yet another historical high in both sales and net profit in the third quarter of 2009. The turnover of HK\$46,277,000 and net profit of HK\$13,386,000 in the quarter represent an increase of 32.3% and 60.5% respectively compared with the third quarter of last year. Sequential growth of 6.2% and 8.97% respectively in turnover and net profit is also achieved compared with the second quarter of 2009.

The Group's turnover for the nine months ended 30 September 2009 reached a record high of HK\$122,890,000, an increase of 36.9% over the same period last year. Profit after tax for the nine months period also attained a new height of HK\$33,472,000, representing a 61.7% increase compared with same period last year.

The strong performance of the Group's existing products in the market place was the driver behind its phenomenal growth in turnover. Across the board, all six products registered high double digits growth, led by the second year product Iron Protein Oral Solution with sales growth of 122% for nine months period of 2009 compared with same period last year. Slounase® also maintained momentous pace in market penetration, delivering a sales growth of 73 % for the nine months period of 2009 over same period last year..

The substantial growth in net profit after tax in the first nine months was resulted not only from significant increase in turnover, but also from improvement in gross profit margin and net profit margin, up from 70.6% and 23.1% respectively for the nine months ended 30 September 2008 to 72.8% and 27.2% respectively in the period under review. The net profit margin reached 28.9% for the third quarter. The strong performance of proprietary products, improvement in production efficiency and better scale of economy in sales contributed to the improvement in gross profit margin and net profit margin.

In August this year, the Company placed 30,273,437 new shares to Vivo Ventures Fund Cayman VI, L.P. ("Vivo") at the price of HK\$0.64 per share. Vivo is the sixth fund of Vivo Ventures, a life-sciences focused venture capital firm with more than US\$650 million under management. The Directors consider that the allotment provides the opportunity to raise additional funds for the Group's working capital and future investment purposes while strengthening its financial position, and broadening the capital base of the Group. More importantly, it allows the Group to enter into a strategic partnership with a financial investor experienced in biotechnology and pharmaceutical business. With the Vivo's vast network in bioscience community in the United States of America, it can help facilitate the Group's access to future partnership in product licensing, technology transfer, etc, expanding the Group's product portfolio and strengthening the Group's ability for sustainable growth. Having already an industrial partner, Sigma-Tau Finanziaria SpA, in place, the addition of financial investor, the Vivo, will provide a strong and strategic shareholder base for the Company's future growth.

Prospects

The board is optimistic of the Group's outlook in the quarters to come.

The demand for the Group's products has remained robust. It is expected that all the six existing products will continue to deliver strong performance. In addition, the Group has three products under final review by the China SFDA which once approved, could further expand the Group's market presence and broaden its revenue base.

The Group has also continued its discussion with several partners for product right acquisition in China. Should those discussion come to fruition, it will significantly enhance the product profile of the Group and provide a stronger platform for sustainable 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 nine months ended 30 September 2009.

By order of the Board
Lee Siu Fong
Chairman

Hong Kong, 13 November 2009

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 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.