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: 950)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

BUSINESS REVIEW

Despite the challenging environment faced by pharmaceutical industry in the PRC, the Group has not only managed to accelerate the growth momentum for the year 2011 by achieving significant uplift in both turnover and net profit over last year, but has also developed a platform to rocket the Group onto new growth trajectory by making ready a series of products to be launched in the coming year.

Turnover and Profit

The fourth quarter of 2011 ended in a high note with turnover and net profit increased by 23% and 14% respectively over the third quarter. Turnover for the year ended 31 December 2011 increased by 56.2% compared with last year and attained a new height of HK$399,685,000. The significant boost in sales was primary thrusted by *Carnitene*® and *Slounase*®, newly entrants of national pharmaceutical reimbursement list and sales of both products were surged by 91% and 66% respectively compared with that of last year. Other main products such as *Yallaferon*®, *Ferplex*® and *Zanidip*® also performed resiliently with growth of 36%, 68% and 119% respectively compared with that of last year.

The net profit attributable to shareholders for the year 2011 reached a new level of HK$83,906,000, representing an increase of 44.6% over last year. The converge of top line and bottom line growth is a testament of efforts made by the management in second half of year to control the selling expenses and to improve operating efficiency and effectiveness of the Group's sales and marketing organization while accelerating the growth in sales. The selling expenses to turnover ratio for the fourth quarter of 2011 dropped significantly to 33.5% compared with the ratio of 39.8% for the third quarter and 43.9% for the second quarter.

* *For identification purposes only*

Manufacturing facility

In July last year, the Group purchased an industry estate located at Nansha, Guangzhou to cope with the expansion need. A total floor area of 57,000 square meters will be built with approximately 25,000 square meter dedicated to manufacturing. The investment will be approximately RMB 100 million and construction work will commence in March this year. The erection of the facility will significantly augment the Group's production capability and capacity.

In addition, to meet the new cGMP requirements in the PRC, a new production facility will be built on the existing site of Zhaoke (Hefei) and the construction work will also commence soon. The total new production area will be approximately 6,000 square meters that will provide flexibility for the Group in manufacturing opportunity in the future.

Both facilities will be designed according not only to China cGMP standard, but also to the requirements of US FDA and European Union, enabling the Group to supply finished products to countries and areas beyond China in the future.

Drug development

The Group continued its aggressiveness in investing into the future by pouring substantial resources into drug development in order to expedite the launch of new product and to enhance its growth sustainability.

The phase I study for the Group's proprietary, first-in-class anti-platelet 1b antagonist *Declotana*® was successfully concluded in April 2011. The results showed that *Declotana*® possesses the characteristics of so called "ideal" anti-platelet drug with fast onset time, good reversibility and low bleeding risk. The proof-of concept phase II study for acute coronary syndromes has been prepared and should be initiated soon. This eminent study is led by Beijing University First Affiliated Hospital with the participation of Shanghai Zhongshan Hospital, People's Liberation Army General Hospital, Guangzhou Military General Hospital and Wuhan Union Hospital. Should *Declotana*®'s efficacy be demonstrated in the study, it could change the paradigm of managing patients suffered from acute coronary syndromes and fulfill a significant unmet medical need.

In addition, clinical study applications for both ZK007 for Dry eye and ZK008 for Acne have been submitted to China SFDA in the first quarter of 2011. Both drugs have proprietary formulation and are originated from the Group's in-house research and development programs. ZK008 for Acne has recently been reviewed by external panel organized by China SFDA and the Group is expected to receive positive feedback soon.

Several other submissions aimed at better life cycle management of the existing products have also been made in the first quarter and are now under review by China SFDA. Those efforts could yield significant long term benefit to the existing products and enhance greatly their competitiveness in the market place.

During the period, the Group received approval to carry out registration clinical study for Tradozone, an anti-depression drug in licensed from Angelini of Italy. The study involves 15 sites that will enroll a total of 378 patients. The study has since started and progressed smoothly. The enrollment is targeted to complete by end of 2012.

In the second quarter of 2011, the Group successfully completed the registration clinical study in China on Apogepha's original product, *Mictonorm® XL*, for evaluating the effectiveness and safety for treatment in Chinese patients with urinary incontinence. The primary endpoint of the study has been met and the results have shown that *Mictonorm®* is safe and effective for Chinese urinary incontinence patients. Urinary continence could seriously affect patients' social lives and the severity is yet to be fully recognized. Recent improvement in education and advancement in diagnosis have resulted in increasing patients' awareness. Better medicine is needed for better treatment of this nuisance.

During the period under review, the Group completed the pivotal phase III registration study for Acetyl-L-Carnitine in treatment of chemo-induced peripheral neuropathy (CIPN). The primary endpoint of study has been met and the results are robust with excellent safety profile. CIPN is a serious medical problem affecting considerable number of cancer patients. As to date, no drug has been approved for this indication and significant medical need remains unmet. With its strong efficacious profile in treatment of CIPN demonstrated in the study, the approval of Acetyl-L-Carnitine could position the Group well in the cancer supporting care area.

In addition, two collaborated research and development projects that focused on the Group's proprietary anti-angiogenesis protein ZK002 with Baptist University of Hong Kong and Hong Kong University of Science and Technology have been selected by Hong Kong Government Innovation and Technology Fund as recipients of grant support. This is a testament of Group's research and development capacity and capability. It also highlights the commitment of the Group to collaborate and cooperate with local research universities for advancement of science and innovation.

The Group also expects to start patient enrollment with Queen Mary Hospital of University of Hong Kong for the global phase IIb study for JX-594 in treatment of late stage liver cancer. JX-594 is a proprietary, engineered oncolytic virus that is designed to selectively target and destroy cancer cells. The product, developed by Jenerex and its partners, is in phase II study in advanced liver cancer. The latest results presented in American Association for the Study of Liver Diseases 2011 showed that high dose

of JX-594 significantly improves survival of advanced liver cancer patients compared to the low dose JX-594 (medium survival 13.8 months vs 6.7 months). The Group is a development and marketing partner of Jenerex for JX-594 in China. The Group intends to allocate more resource to accelerate the development of JX-594 in China where the market potential is enormous.

Imported products registration

In June 2011, the Group has successfully submitted the application for new drug registration in China on Apogepha's original product, *Mictonorm® XL*. The product is indicated for urinary incontinence that has become more prevalent in recent years due to increase of awareness.

In September last year, the Group has successfully submitted the application for new drug registration in China on United Therapeutics' product, *Remodulin®* (treprostinil) injection. *Remodulin®* is a proprietary product indicated for treatment of pulmonary arterial hypertension (PAH) in patients with NYHA Class II-IV symptoms by intravenous and subcutaneous administration. PAH has emerged as a severe life-threatening disease in the PRC, affecting scores of patients with poor prognosis.

The Group has also successfully submitted application for New Drug Registration in PRC for the license-in drug *Natulan®*, for the treatment of Hodgkin's lymphoma and certain brain cancers under fast track designation. The priority review could allow the review process to be finished in 12 to 15 months.

To expand the Group's cancer supporting care franchise, the Group has successfully submitted the application of clinical study to China SFDA during the quarter for *Aloxi®* i.v. and oral formation. *Aloxi®* is the only second generation of 5HT3 antagonist available in the market place and is a leading anti-emetic drug licensed from Helsinn of Switzerland.

Further to the successful conclusion of the Group's ALC registration study in September 2011, the Group has also filed the application for marketing to the China SFDA in December 2011. Currently, there is not any drug approved by the China SFDA for the treatment of chemo-induced peripheral neuropathy. As the Group's first drug in the oncology space, ALC could be in an ideal position to make headway in establishing oncology franchise for the Group.

International partnerships

The Group had also reached important milestones in international partnership during the year 2011. It has participated in United Therapeutics' global pivotal phase III study for oral Treprostinil. UT-15C study ("Freedom-C") is a randomized, double blinded, placebo controlled, multicentre phase III study. It involves over thirty centers in US, Europe, Central America, India and China. The Group had been able to assist United

Therapeutics to secure approval from China SFDA for this international phase III study in an expedited way. It also coordinated the efforts of three study sites in China, resulting in completion of enrollment within the set schedule. The study results have been announced and the positive outcome should facilitate the marketing approval of oral treprostinil by the US FDA.

Sales and marketing

In 2011, the Group had also accomplished its task of creating a direct sales force organization. Within 12 months, strong infrastructure with 200 sales representatives has been put into place, covering 25 most populated and economically important cities in China. Although the initial investment had transient impact on the Group's profitability in the first half of year 2011 as administration cost and sales and marketing spending climbed substantially, the sales and marketing spending have since been subdued. The Group's direct sales organization has entered into the consolidation phase after the initial 12 month build-up and the contribution of the direct sales organization to the growth of turnover of the Group has become more prominent. Overall, the sales of the Group's direct sales organization increased 61% in 2011 over 2010. The directors believes that the "hybrid engine model" of combining extensive distributor network with an agile direct sales force would be instrumental for maintaining sustainable growth of both turnover and profitability for the Group in the future.

2011 was also the year that the Group continued to invest in knowledge-based promotion and scientific marketing. It had actively participated in many major conferences such as "Southern Cardiovascular Conference", "Oriental Cardiovascular Conference", "Great Wall Cardiovascular Conference", "National Cardiology Conference", "National Nephrology Conference", "National Gynecology Conference" and "National Dermatology Conference". The consistency in the Group's presentation to the medical community has helped to foster strong key opinion leader network across the key areas of the Group.

Evidence-based medicine is the key driver of prescription today in China and the Group has pursued relentlessly clinical evidence and knowledge by investing in clinical studies of its launched products. The recent completed *Yallaferon*®study has yielded very encourage results. The study was aimed at the effect of *Yallaferon*® treatment in converting the positive HPV infection to negative. HPV infection has been confirmed to be associated with cervical cancer and the available vaccine can only deal with person who is yet infected with HPV. The preliminary data showed that *Yallaferon*® treatment is effective in 65% of patients for the HPV conversion and there is statistically significant difference between *Yallaferon*® treatment and control. This is the first time that a medication has been shown to be able to reverse the HPV infection in women. The Group is contemplating a full scale study that would allow the Group to secure new indication approval from China SFDA.

PROSPECTS

The directors remain optimistic on the prospects of the Group. However, we need to be vigilant to the external environment and be prepared for the challenge ahead. The magnitude of potential price adjustment is yet to be determined. The implementation of new cGMP requirements will be a test to our readiness. But one thing is certain that the Group is in an excellent position to rise above those challenges.

The expansion of healthcare coverage by the Chinese government and double digit increase in healthcare spending will continue to fuel the demand and steer the growth in pharmaceutical industry. The Group's existing five major products are expected to benefit from the market expansion, maintaining the fast pace of growth. The persistent improvement in operating efficiency and effectiveness of the Group's sales and marketing organization will further boost the competitiveness of its products in the market place, enlarging their market shares and enhancing profitability.

The recent launch of two new license-in products, Brio PTCA Balloon Catheters for the treatment of acute coronary syndrome and *Gaslon N*® for the treatment of gastric ulcer have been participated in several tenders. Their contribution will be seen gradually in the next few quarters. Together with the newly approved product *Hyalofemme*®, these new products will serve as catalyst of growth and create constant excitement in the market place for the Group's product. Several new products are also expected to be approved in 2012, making the Group better equipped to compete in the market place.

The planned enrollment for phase II study of both JX-594 and *Declotana*® in first half of 2012 would be a significant milestone for the Group. This effort could be revolutionary and may elevate the Group's to a new playing field, paving way for long term growth of the Group.

With our staff's diligence and our management's readiness, we are confident that we will meet the challenge head on and march on to deliver superb return to our shareholders.

AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Turnover	3	**399,685**	255,810
Cost of sales		**(107,852)**	(77,320)
Gross profit		**291,833**	178,490
Other revenue		**5,881**	5,536
Gain on deemed disposal of a subsidiary		**–**	234
Gain on deemed disposal of associates		**6,441**	–
Selling and distribution expenses		**(156,437)**	(79,193)
Research and development expenses		**(11,835)**	(5,590)
Administrative expenses		**(37,090)**	(29,299)
Profit from operations		**98,793**	70,178
Share of results of associates		**(273)**	(1,159)
Finance costs		**(768)**	(1,058)
Profit before taxation		**97,752**	67,961
Taxation	4	**(13,728)**	(10,039)
Profit for the year		**84,024**	57,922
Attributable to:			
Shareholders of the Company		**83,906**	58,026
Non-controlling interests		**118**	(104)
		84,024	57,922
Dividends	5	**19,728**	13,825
		HK cents	*HK cents*
Earnings per share			
Basic	6	**17.90**	12.80
Diluted	6	**17.53**	12.43

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**84,024**	57,922
Other comprehensive income:		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**4,613**	2,832
– revaluation of overseas buildings	**162**	129
Share of other comprehensive income of associates	**–**	5,855
Release of share of other reserves of associates	**(5,855)**	–
Other comprehensive (expenses) income for the year, net of tax	**(1,080)**	8,816
Total comprehensive income for the year	**82,944**	66,738
Total comprehensive income attributable to:		
Shareholders of the Company	**82,811**	66,834
Non-controlling interests	**133**	(96)
	82,944	66,738

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Non-current Assets			
Property, plant and equipment		**47,303**	26,880
Intangible assets		**87,297**	64,792
Lease premium for land		**7,514**	1,235
Goodwill		**3,900**	3,900
Investment in associates		**–**	8,536
Available-for-sale financial asset		**8,165**	–
		154,179	105,343
Current Assets			
Lease premium for land		**164**	34
Inventories		**35,004**	23,171
Trade receivables	7	**58,342**	41,065
Other receivables, deposits and prepayments		**25,890**	19,996
Pledged bank deposits		**2,003**	2,000
Time deposits		**40,896**	54,517
Cash and bank balances		**93,598**	65,587
		255,897	206,370
Current Liabilities			
Trade payables	8	**9,105**	473
Bills payable		**–**	1,402
Other payables		**46,866**	38,340
Derivative financial instrument		**136**	–
Bank borrowings		**17,160**	17,756
Obligations under finance leases		**522**	140
Tax payable		**9,708**	2,910
		83,497	61,021
Net Current Assets		**172,400**	145,349
Total Assets less Current Liabilities		**326,579**	250,692

	Notes	2011 ***HK$'000***	2010 *HK$'000*
Capital and Reserves			
Share capital		**23,489**	23,292
Reserves		**288,425**	217,772
Equity attributable to shareholders of the Company		**311,914**	241,064
Non-controlling interests		**417**	284
Total equity		**312,331**	241,348
Non-current Liabilities			
Deferred tax liabilities		**13,379**	8,984
Obligations under finance leases		**869**	360
		14,248	9,344
		326,579	250,692

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to the shareholders of the Company										
	Share capital	Share premium	Merger difference	Share-based compensation reserve	Other reserves	Revaluation reserve	Exchange reserve	Retained profits	Sub-total	Attributable to non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	23,292	103,143	9,200	1,969	5,855	3,818	5,774	88,013	241,064	284	241,348
Employee share option benefits	–	–	–	1,204	–	–	–	–	1,204	–	1,204
Exercise of share options	197	2,390	–	(733)	–	–	–	–	1,854	–	1,854
Profit for the year	–	–	–	–	–	–	–	83,906	83,906	118	84,024
Other comprehensive expense for the year	–	–	–	–	(5,855)	162	4,598	–	(1,095)	15	(1,080)
Total comprehensive income for the year	–	–	–	–	(5,855)	162	4,598	83,906	82,811	133	82,944
2010 final dividend paid	–	–	–	–	–	–	–	(9,384)	(9,384)	–	(9,384)
2011 interim dividend paid	–	–	–	–	–	–	–	(5,635)	(5,635)	–	(5,635)
At 31 December 2011	23,489	105,533	9,200	2,440	–	3,980	10,372	156,900	311,914	417	312,331
At 1 January 2010	22,506	63,491	9,200	1,190	–	3,689	2,950	41,704	144,730	–	144,730
Employee share option benefits	–	–	–	850	–	–	–	–	850	–	850
Exercise of share options	36	237	–	(71)	–	–	–	–	202	–	202
Issue of ordinary shares	750	39,415	–	–	–	–	–	–	40,165	–	40,165
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	380	380
Profit for the year	–	–	–	–	–	–	–	58,026	58,026	(104)	57,922
Other comprehensive income for the year	–	–	–	–	5,855	129	2,824	–	8,808	8	8,816
Total comprehensive income for the year	–	–	–	–	5,855	129	2,824	58,026	66,834	(96)	66,738
2009 final dividend paid	–	–	–	–	–	–	–	(7,209)	(7,209)	–	(7,209)
2010 interim dividend paid	–	–	–	–	–	–	–	(4,508)	(4,508)	–	(4,508)
At 31 December 2010	23,292	103,143	9,200	1,969	5,855	3,818	5,774	88,013	241,064	284	241,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The following new and revised HKFRSs issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") have been applied by the Group in the current year and have affected the presentation and disclosures set out in these consolidated financial statements. The application of these new and revised HKFRSs has not had any material impact on the Group's financial performance and positions for the current and prior years, but may affect the accounting for future transactions or arrangements.

New and revised HKFRSs applied with no material effect on the consolidated financial statements

Amendments to HKAS 1 Presentation of Financial Statements

(as part of Improvements to HKFRSs issued in 2010)

HKAS 24 Related Party Disclosures (as revised in 2009)

Amendments to HKFRS 3 Business Combinations

The application of amendments has had no impact on profit or loss of the Group of the current and prior years

Amendments to HKAS 32 Classification of Rights Issues

Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement

HK(IFRIC) – Int 19 Extinguishing Financial Liabilities with Equity Instruments

Improvements to HKFRSs issued in 2010

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

3. SEGMENT INFORMATION

HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance.

The Group's reportable and operating segments are as follows:

Proprietary products	–	manufacturing and sales of self-developed pharmaceutical products
Licensed products	–	trading of license-in pharmaceutical products

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Proprietary products		Licensed products		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment turnover	**199,876**	148,726	**199,809**	107,084	**399,685**	255,810
Segment results	**60,669**	48,979	**41,106**	28,988	**101,775**	77,967
Interest income					**390**	164
Gain on deemed disposal of a subsidiary					**–**	234
Gain on deemed disposal of associates					**6,441**	–
Unallocated expenses					**(9,813)**	(8,187)
Profit from operations					**98,793**	70,178
Finance costs					**(768)**	(1,058)
Profit before share of results of associates					**98,025**	69,120
Share of results of associates					**(273)**	(1,159)
Profit before taxation					**97,752**	67,961
Taxation					**(13,728)**	(10,039)
Profit for the year					**84,024**	57,922

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2010: HK$Nil). The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned by each segment without allocation of central administration costs, interest income, finance costs, results of associates, and income tax expense. This is a measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Proprietary products		Licensed products		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**106,733**	92,689	**166,845**	91,065	**273,578**	183,754
Unallocated assets					**136,498**	127,959
Total assets					**410,076**	311,713
Segment liabilities	**28,275**	34,801	**46,383**	23,670	**74,658**	58,471
Unallocated liabilities					**23,087**	11,894
Total liabilities					**97,745**	70,365

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investment in associates, pledged bank deposits, time deposits, and cash and bank balances. Goodwill is allocated to segment of proprietary products. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segment; and

- all liabilities are allocated to reportable segments other than tax payable and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Geographical information

During the years ended 31 December 2011 and 2010, 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:

	The PRC		Hong Kong		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**167,597**	143,814	**242,479**	167,899	**410,076**	311,713
Segment liabilities	**36,809**	40,321	**60,936**	30,044	**97,745**	70,365

4. TAXATION

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**5,493**	1,368
PRC Enterprise Income Tax	**4,008**	3,945
Over-provision in prior year	**–**	(14)
	9,501	5,299
Deferred tax		
Provision of current year	**4,227**	4,740
	13,728	10,039

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 15% to 25% (2010: 15%).

5. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim dividend paid – HK$0.012 (2010: HK$0.01) per share	**5,635**	4,508
Final dividend proposed – HK$0.03 (2010: HK$0.02) per share	**14,093**	9,317
	19,728	13,825

The final dividend of HK$0.03 (2010: HK$0.02) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting. This proposed dividend is not included as a dividend payable in the consolidated statement of financial position as at 31 December 2011.

6. EARNINGS PER SHARE

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

	THE GROUP	
	2011	2010
Net profit attributable to shareholders for the purpose of basic and diluted earnings per share	**HK$83,906,000**	HK$58,026,000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**468,729,725**	453,409,615
Effect of dilutive potential ordinary shares:		
Options	**9,900,651**	13,311,095
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**478,630,376**	466,720,710

7. TRADE RECEIVABLES

The credit period on sales of goods is 30-120 days. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 365 days because historical experience has been that receivables that are past due beyond 365 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables over 180 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. The fair value of the Group's trade receivables at 31 December 2011 approximate to the corresponding carrying amount.

Of the trade receivables balance at the end of the year, HK$13,540,581 (2010: HK$5,948,412) is due from the Group's largest customer, Zhuhai Li Chen Medicine Co. Ltd. There are no other customers who represent more than 23% of the total balance of trade receivables.

The following is an aging analysis of trade receivables at 31 December 2011.

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
0-90 days	**53,493**	39,642
91-180 days	**3,837**	1,133
181-365 days	**2,024**	580
Over 365 days and under 3 years	**1,018**	360
	60,372	41,715
Less: Allowance for bad and doubtful debts	**(2,030)**	(650)
	58,342	41,065

Trade receivable disclosed above include amounts that are past due at the end of the reporting period.

Movement in allowance for bad and doubtful debts

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**650**	441
Exchange rate adjustments	**15**	7
Provision for doubtful debts	**1,365**	202
Balance at the end of the year	**2,030**	650

8. TRADE PAYABLES

The fair value of the Group's trade payables at 31 December 2011 approximate to the corresponding carrying amount.

The following is an aging analysis of trade payables at 31 December 2011.

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
0-90 days	**9,057**	357
91-180 days	**1**	45
181-365 days	**24**	71
Over 365 days	**23**	–
	9,105	473

FINAL DIVIDEND

The Board of Directors recommended a final dividend of HK$0.03 (2010: HK$0.02) per share to shareholders registered in the Company's Register of Members as at the close of business on 24 May 2012. Upon approval by shareholders, the final dividend will be paid on or about 14 June 2012.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the shareholders of the Company will be held on Thursday, 10 May 2012. The register of members of the Company will be closed from Tuesday, 8 May 2012 to Thursday, 10 May 2012 (both days inclusive), during which period no transfer of shares will be effected for determining the shareholders who are entitled to attend and vote at the meeting. In order to qualify for the right to attend and vote at the above meeting, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company 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 7 May 2012.

The register of members of the Company will be closed from Tuesday, 22 May 2012 to Thursday, 24 May 2012 (both days inclusive), during which period no transfer of shares will be effected for determining the shareholders who are entitled for the proposed final dividend for the year ended 31 December 2011. In order to qualify for the proposed final dividend for the year ended 31 December 2011, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company 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 21 May 2012

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 2011 (2010: Nil).

AUDIT COMMITTEE

The Group's audited results for the year ended 31 December 2011 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 14 of the Main Board Listing Rules throughout the financial year ended 31 December 2011, 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. In compliance with the revised Listing Rules, a remuneration committee has been established in 2012. Dr Tsim Wah Keung, Karl is the chairman of the committee; Ms. Leelalertsuphakun Wanee and Dr. Chan Yau Ching, Bob are the members of the committee.

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

Hong Kong, 21 March 2012

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.