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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHT

	For the year ended 31 December		Change
	2015	2014	
	HK$'000	*HK$'000*	
Revenue	**922,150**	955,208	–3.5%
Gross profit	**648,164**	670,523	–3.3%
Profit attributable to the owners of the Company	**229,052**	192,830	+18.8%
	HK cents	*HK cents*	
Earnings per share			
Basic	**39.77**	35.52	+12.0%
Diluted	**39.29**	34.47	+14.0%

The board of Directors recommends the payment of final dividend of HK7.4 cents (2014: HK6.6 cents) per ordinary share for the year ended 31 December 2015.

* *For identification purposes only*

ANNUAL RESULTS

The directors (the "**Directors**") of Lee's Pharmaceutical Holdings Limited (the "**Company**") are pleased to present the results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2015 and the comparative figures as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Revenue	2	**922,150**	955,208
Cost of sales		**(273,986)**	(284,685)
Gross profit		**648,164**	670,523
Other revenue		**12,194**	17,572
Gain on deemed disposal of interest in an associate		**31,825**	–
Fair value changes of derivative financial instruments		**10,092**	(10,092)
Selling and distribution expenses		**(256,465)**	(309,202)
Research and development expenses		**(47,075)**	(37,964)
Administrative expenses		**(112,310)**	(99,345)
Profit from operations		**286,425**	231,492
Finance costs		**(3,040)**	(2,671)
Share of results of associates		**(29,450)**	(668)
Profit before taxation		**253,935**	228,153
Taxation	3	**(40,938)**	(41,368)
Profit for the year		**212,997**	186,785
Attributable to:			
Owners of the Company		**229,052**	192,830
Non-controlling interests		**(16,055)**	(6,045)
		212,997	186,785
		HK cents	*HK cents*
Earnings per share			
Basic	5	**39.77**	35.52
Diluted	5	**39.29**	34.47

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
Profit for the year	**212,997**	186,785
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(56,386)**	(15,479)
Fair value changes of available-for-sale financial assets	**(4,218)**	3,319
Other comprehensive expense for the year, net of tax	**(60,604)**	(12,160)
Total comprehensive income for the year	**152,393**	174,625
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**169,501**	180,658
Non-controlling interests	**(17,108)**	(6,033)
	152,393	174,625

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Non-current Assets			
Property, plant and equipment		**355,940**	302,835
Intangible assets		**337,825**	236,218
Lease premium for land		**13,401**	14,486
Goodwill		**3,900**	3,900
Interests in associates		**58,671**	33,863
Held-to-maturity financial assets		**5,491**	5,323
Available-for-sale financial assets		**99,029**	42,767
Prepayment for acquisition of a leasehold land		**135,402**	–
		1,009,659	639,392
Current Assets			
Lease premium for land		**306**	324
Inventories		**169,878**	138,889
Trade receivables	6	**107,780**	99,782
Other receivables, deposits and prepayments		**108,821**	77,735
Amount due from a related party		**37,275**	–
Advance to an associate		**22,588**	20,069
Tax recoverable		**674**	277
Time deposits		**115,903**	124,352
Cash and bank balances		**278,244**	268,560
		841,469	729,988
Current Liabilities			
Trade payables	7	**37,621**	42,249
Other payables and accruals		**172,619**	182,865
Obligations under license contract		**505**	3,371
Derivative financial instruments		**–**	10,092
Bank borrowings		**66,769**	52,269
Obligations under finance lease		**303**	–
Tax payables		**4,139**	17,333
		281,956	308,179
Net Current Assets		**559,513**	421,809
Total Assets less Current Liabilities		**1,569,172**	1,061,201

	2015	2014
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**29,340**	27,236
Reserves	**1,438,098**	907,105
Equity Attributable to the Owners of the Company	**1,467,438**	934,341
Non-controlling interests	**49,390**	64,526
Total Equity	**1,516,828**	998,867
Non-current Liabilities		
Deferred tax liabilities	**18,281**	15,522
Retirement benefit	**33,195**	46,812
Obligations under finance lease	**868**	–
	52,344	62,334
	1,569,172	1,061,201

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to the Owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Merger difference *HK$'000*	Share-based compensation reserve *HK$'000*	Other reserves *HK$'000*	Investments revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Sub-total *HK$'000*	Attributable to non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2015	27,236	301,196	9,200	7,782	59,344	3,319	7,793	518,471	934,341	64,526	998,867
Employee share option benefits	–	–	–	3,770	–	–	–	–	3,770	–	3,770
Exercise of share options	259	22,547	–	(2,857)	–	–	–	–	19,949	–	19,949
Share of share-based compensation reserve of a subsidiary	–	–	–	23	–	–	–	–	23	18	41
Issue of shares pursuant to Placing Agreement	1,500	382,147	–	–	–	–	–	–	383,647	–	383,647
Issue of shares pursuant to Shareholders' Agreement	345	12,035	–	–	–	–	–	–	12,380	–	12,380
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	1,954	1,954
Profit (loss) for the year	–	–	–	–	–	–	–	229,052	229,052	(16,055)	212,997
Other comprehensive expense for the year	–	–	–	–	–	(4,218)	(55,333)	–	(59,551)	(1,053)	(60,604)
Total comprehensive income (expense) for the year	–	–	–	–	–	(4,218)	(55,333)	229,052	169,501	(17,108)	152,393
2014 final dividend paid	–	–	–	–	–	–	–	(38,577)	(38,577)	–	(38,577)
2015 interim dividend paid	–	–	–	–	–	–	–	(17,596)	(17,596)	–	(17,596)
At 31 December 2015	29,340	717,925	9,200	8,718	59,344	(899)	(47,540)	691,350	1,467,438	49,390	1,516,828
At 1 January 2014	26,912	292,326	9,200	5,392	60,312	–	23,284	368,579	786,005	66,053	852,058
Employee share option benefits	–	–	–	3,839	–	–	–	–	3,839	–	3,839
Exercise of share options	324	8,870	–	(1,472)	–	–	–	–	7,722	–	7,722
Share of share-based compensation reserve of a subsidiary	–	–	–	23	–	–	–	–	23	18	41
Acquisition of additional interests in a subsidiary	–	–	–	–	(996)	–	–	–	(996)	966	(30)
Deemed partial disposal of interests in a subsidiary	–	–	–	–	28	–	–	–	28	4	32
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	3,518	3,518
Profit (loss) for the year	–	–	–	–	–	–	–	192,830	192,830	(6,045)	186,785
Other comprehensive income (expense) for the year	–	–	–	–	–	3,319	(15,491)	–	(12,172)	12	(12,160)
Total comprehensive income (expense) for the year	–	–	–	–	–	3,319	(15,491)	192,830	180,658	(6,033)	174,625
2013 final dividend paid	–	–	–	–	–	–	–	(28,251)	(28,251)	–	(28,251)
2014 interim dividend paid	–	–	–	–	–	–	–	(14,687)	(14,687)	–	(14,687)
At 31 December 2014	27,236	301,196	9,200	7,782	59,344	3,319	7,793	518,471	934,341	64,526	998,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies and method of computation used in these consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2014 except as described below.

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Accounting Standard ("**HKAS**") and Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant for the preparation of the Group's consolidated financial statements:

Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRS 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRS 2011-2013 Cycle

The application of the above amendments to HKAS and HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exemption[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

[3] Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these new and revised HKASs and HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

Information reported to the Chairman of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of good delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Proprietary products	–	Manufacturing and sales of self-developed pharmaceutical products
Licensed-in products	–	Trading of licensed-in pharmaceutical products

Segment revenue and results

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

	Proprietary products		Licensed-in products		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**418,789**	386,258	**503,361**	568,950	**922,150**	955,208
Segment results	**185,379**	168,785	**70,316**	110,057	**255,695**	278,842
Gain on deemed disposal of interest in an associate					**31,825**	–
Interest income					**3,832**	2,851
Unallocated expenses					**(4,927)**	(50,201)
Profit from operations					**286,425**	231,492
Finance costs					**(3,040)**	(2,671)
Profit before share of results of associates					**283,385**	228,821
Share of results of associates					**(29,450)**	(668)
Profit before taxation					**253,935**	228,153
Taxation					**(40,938)**	(41,368)
Profit for the year					**212,997**	186,785

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2014: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' emoluments, gain on deemed disposal of interest in an associate, interest income, finance costs, share of results of associates, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Proprietary products		Licensed-in products		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**260,304**	236,748	**942,067**	685,511	**1,202,371**	922,259
Unallocated assets					**648,757**	447,121
Total assets					**1,851,128**	1,369,380
Segment liabilities	**87,839**	118,746	**190,846**	172,100	**278,685**	290,846
Unallocated liabilities					**55,615**	79,667
Total liabilities					**334,300**	370,513

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

- all assets are allocated to operating segments other than interests in associates, prepayment for acquisition of a leasehold land, advance to an associate, amount due from a related party, tax recoverable, 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 payables, deferred tax liabilities, and retirement benefit. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information (included in the measure of segment profit or loss or regularly provided to the chief operating decision maker)

	Proprietary products		Licensed-in products		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**30,205**	17,845	**3,164**	1,525	**33,369**	19,370
Amortisation of intangible assets	**–**	–	**10,814**	9,191	**10,814**	9,191
Additions to non-current assets (Property, plant and equipment and intangible assets) during the year	**81,480**	35,918	**152,950**	90,884	**234,430**	126,802
Impairment of intangible assets	**351**	–	**7,841**	5,649	**8,192**	5,649

Geographical information

During the years ended 31 December 2015 and 2014, 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 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 and others		Total	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,085,401**	793,265	**765,727**	576,115	**1,851,128**	1,369,380
Segment liabilities	**118,241**	198,933	**216,059**	171,580	**334,300**	370,513

3. TAXATION

	2015	2014
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**25,300**	25,875
PRC Enterprise Income Tax	**12,161**	13,153
Underprovision in prior year	**142**	1,233
	37,603	40,261
Deferred tax		
Origination and reversal of temporary differences	**3,335**	1,107
	40,938	41,368

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of the PRC subsidiaries are 15% to 25% (2014: 15% to 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

4. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Interim dividend paid – HK$0.030 (2014: HK$0.027) per share	**17,596**	14,687
Final dividend proposed – HK$0.074 (2014: HK$0.066) per share	**43,423**	35,952
	61,019	50,639

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2015 of HK7.4 cents per share (2014: HK6.6 cents per share in respect of the year ended 31 December 2014) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting, and is not included as a dividend payable in the consolidated statement of financial position as at 31 December 2015.

5. EARNINGS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Earnings:		
Net profit attributable to owners of the Company for the purpose of basic earnings per share	**229,052**	192,830
Effect of dilutive potential ordinary shares:		
Adjustment in relation to contingent share arrangement	**–**	41
Net profit attributable to owners of the Company for the purpose of diluted earnings per share	**229,052**	192,871

	2015	2014
	Share(s)	Share(s)
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**575,986**	542,871
Effect of dilutive potential ordinary shares:		
Options	**7,026**	9,780
Contingent share arrangement	**–**	6,905
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**583,012**	559,556

6. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**108,042**	100,346
Less: Allowances for bad and doubtful debts	**(262)**	(564)
	107,780	99,782

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 following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates, and net of allowance for bad and doubtful debts at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**50,767**	35,640
31 – 120 days	**50,236**	57,433
121 – 180 days	**5,839**	4,571
181 – 365 days	**934**	2,004
Over 365 days and under 3 years	**4**	134
	107,780	99,782

The fair value of the Group's trade receivables at 31 December 2015 approximates to the corresponding carrying amount.

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for bad and doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Age of receivables that are past due but not impaired

	2015	2014
	HK$'000	*HK$'000*
Overdue by:		
1 – 180 days	**20,244**	18,520
181 – 365 days	**257**	521
	20,501	19,041

Movement in allowance for bad and doubtful debts

	2015	2014
	HK$'000	*HK$'000*
Balance at beginning of the year	**564**	3,910
Exchange rate adjustments	**(17)**	(50)
Written back of allowance for bad and doubtful debts	**(285)**	(3,296)
Balance at the end of the year	**262**	564

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Age of receivables that are past due and impaired

	2015	2014
	HK$'000	*HK$'000*
Overdue by:		
181 – 365 days	**258**	521
Over 365 days and under 3 years	**4**	43
	262	564

7. TRADE PAYABLES

The fair value of the Group's trade payables at 31 December 2015 approximates to the corresponding carrying amount.

The following is an aging analysis of trade payables at 31 December 2014 and 2015.

	2015	2014
	HK$'000	*HK$'000*
0-90 days	**35,523**	42,227
91-180 days	**1**	–
181-365 days	**2,065**	10
Over 365 days	**32**	12
	37,621	42,249

The average credit period on purchases of certain goods is 90 days. The Group has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Year 2015 was proved to be tough and challenging for the Group.

The more price-sensitive environment and arduous conditions in tender process for pharmaceuticals created strong headwinds for revenue growth during the year under review. However, in view of such a cost-constrained environment, the Group has taken this opportunity to streamline its cost structure and expenses related to selling, marketing and promotion that had resulted in achieving a healthy profit growth for 2015. In addition, efforts were made during the year under review for expansion in manufacturing capability, investment in product development and partnership, strengthening in regulatory ability and improvement in balance sheet.

Turnover and profit

In the financial year of 2015, the Group recorded sales revenue of HK$922,150,000, representing a slight decrease of 3.5% compared to the same period last year. Sales of licensed-in products was HK$503,361,000 (2014: HK$568,950,000) and accounted for 54.6% (2014: 59.6%) of the Group's revenue while sales of proprietary products was HK$418,789,000 (2014: HK$386,258,000) and contributed 45.4% (2014: 40.4%) of the Group's revenue.

The overall sales growth of proprietary products was slower than expected during the year. While *Yallaferon*® and *Livaracine*® were able to manage moderate revenue growth of 24.0% and 16.0%, respectively, the sales of *Slounase*® was underperformed in the fourth quarter which in turn dragged down the annual sales growth of proprietary products to 8.4%.

The licensed-in products had encountered greater difficulty during the year. Although the Group's flagship product *Carnitene*® continued to lead the Group's product portfolio as the major contributor and contributed 36% revenue thereof during the year under review, the arduous conditions in the tender processes resulted in its recording a negative sales growth for the first time which in turn hindered the overall sales growth. Sales growth of *Ferplex*® was also negatively impact by the prolonged delay of license renewal process which has only been resolved in early 2016. Sales growth of *Zanidip*® was flat during the year under review, being the short-term negative impact derived from the transformation of the direct sales team and its sales strategies.

Overall gross margin was quite stable in the year under review and reached 70.3% in 2015 (2014: 70.2%), slightly increased by 0.1 percentage point during the year. The Group has made significant improvements on the sales and marketing efficiency during the year and selling expenses to revenue ratio has substantially lowered to 27.8% (2014: 32.4%). The Group has invested profoundly in the research and development during the year under review and has made noteworthy progress in various pipeline products especially in cardiovascular and oncology disease areas. Research and development expenses during the years under review was HK$47,075,000, increased by 24.0% from HK$37,964,000 of the previous year.

The savings on sales and marketing expenses contributed to maintain a moderate profit growth for the Group during the year. In addition, a one-time net positive impact of approximately HK$13,033,000 was recorded during the year which comprised the gain on deemed disposal of interest in Powder Pharmaceuticals Incorporated, an associated company of the Group, of HK$31,825,000 and the written off of certain intangible assets of HK$18,792,000 therein, net profit attributable to the owners of the Company was HK$229,052,000, which represented an increase of 18.8% over last year, and recorded an improved net profit margin of 24.8% (2014: 20.2%).

Quality System, Production and Manufacturing Facilities

The Group has invested approximately HK$80,000,000 in the solid dose production facility located on the sixth floor of the factory building in its manufacturing site in Nansha District, Guangzhou, and has reached its final stage of construction and equipment installation. The capacity of this facility is estimated at up to 1 billion tablet/capsule units per year and is expected to be fully operational in the second quarter of 2016. It is targeted that the first registration batches, along with preparatory work for obtaining Good Manufacturing Practice ("**GMP**") certification, will be ready by the end of 2016. The commercial production will commence in 2017, after all necessary testings, including stability registration of the product and GMP certification have been completed.

The design work of the Group's second production facility in its manufacturing site in Nansha for the manufacturing of ophthalmic drugs is close to completion and is expected to commence the construction in June 2016. The facility will be equipped with a state-of-the-art blow-fill-seal line and a multi-dose line and will adhere to the strictest quality standards. The total cost to construct and outfit is estimated at HK$80,000,000.

In the Hefei site, a prefilled syringe line is under design and the upgrade of the small volume injection line is on the way. Upon completion, it will meet all the needs for injection products. Together with works in the Nansha site, those efforts significantly enhance the Group's manufacturing capability, enabling it to much broader product development possibility. It resolves one of the bottlenecks that had constrained the Group's product reach.

A new quality control laboratory has just been come into operation in the Hefei site. The new facility is fitted with state-of-the-art equipment that provide more guarantee for product quality. The quality control laboratory in the Nansha site is near completion and it will come into operation together with the solid dose production facility. Taking together, it reinforces the Group's commitment to product quality and safety.

Drug Development

Since the first enrollment in March 2015, the Group's phase Ib/IIa clinical study of Adapalene and Clindamycin combination hydrochloride gel for acne vulgaris has progressed on schedule, and the drug has been shown so far in the study with good safety and tolerability profile. The phase IIa component of the study has since been completed. The remaining phase Ib study is expected to be completed by June 2016.

Phase I study of Tafoxiparin, a proprietary drug for labor inducement, was initiated during the second quarter of the year in Taiwan. The safety and pharmacokinetic study in healthy women is has now been completed with all three cohorts enrolled in both subcutaneous and intravenous injection. The safety profile so far is consistent with the observation in Caucasian women.

The tolerability study of Istaroxime has completed all three cohorts' enrollment. The safety profile of the drug is consistent with results obtained in Caucasian. It provides a green light for phase IIb study that will have the first patient enrolled soon.

For Natulan® registration study, the Group has worked together with the principle investigator in developing the study protocol that has been confirmed by the China Food and Drug Administration ("**CFDA**"). The preparation for the study is underway and first enrollment is expected in June 2016.

In October 2015, the first patient for the phase IIb study of Anfibatide has been successfully enrolled in the Xiangya Hospital of Central South University. This is a phase IIb multi-centers, double-blinded, paralleled group, placebo controlled clinical study (clinicaltrial.gov registration No.: NCT02495012), led by the Peking University First Hospital. The study aims to evaluate the safety, efficacy, tolerability of Anfibatide in ST-segment elevation myocardial infarction (STEMI) patients who undergo PCI treatment after coronary angiography. This proof of concept study plans to enroll a total of 240 patients and standard dual antiplatelet strategy is employed with or without Anfibatide. The study involved a total of 12 centers across China.

Besides acute ischemia myocardial syndrome, subsequent to the year-end date, Anfibatide has reached a significant milestone in its other indication of Thrombotic Thrombocytopenic Purpura (TTP). TTP is a severe disease that there are no drugs specifically approved for the treatment thereof and currently, plasma exchange is the only remedy for alleviation of condition. Study by our collaborator in United States has shown that Anfibatide is effective in treating TTP in animal model. Anfibatide could provide those patients an alternative that is less costly and help to improve the quality of life. In March 2016, the Group's application to the US FDA for orphan drug designation for Anfibatide on TTP has been approved.

Three other clinical studies, namely, hypertension drug Azilsartan registration enabling study, a glaucoma drug registration study and an ear infection drug phase I study, have all obtained the approval from the ethic committee from the principle investigators site. Respective studies are expected to start enrollment soon.

In August 2015, CVie Therapeutics Limited ("**CVie**"), the Group's subsidiary has successfully obtained the approval for a Phase IIb clinical study (Protocol No. CVT-CV-001) in Taiwan for one of its portfolio products Rostafuroxin capsule 50, 500ug with antihypertensive effect. Rostafuroxin is a digitoxygenin derivative that selectively disrupts the mutant adducin and the ouabain-activated Na(+)/K(+)-pump binding to Src-SH2 domain without affecting the binding of normal proteins. It is indicated for treatment of newly diagnosed hypertension patients who carry certain genetic profiles representative of adducin and Endogenous Ouabain-hypertensive mechanisms. The personalized treatment of hypertension could signify a shift of paradigm in hypertension treatment. This is a Phase IIb multi-centers, randomised, comparator-controlled, dose-finding clinical study and the study aims to evaluate the anti-hypertensive effects indifferent doses of Rostafuroxin in comparison with Losartan®, assessed by office and ambulatory blood pressure monitoring in a hypertensive population selected according to specific genetic profiles. The study involved a total of 17 centers and 18 centers respectively across Italy and Taiwan. The total targeted enrollment is 320 patients from both Italy and Taiwan. Currently, the Italian arm of the study is still ongoing and has completed its targeted enrollment of 160 patients in November 2015. The Taiwan study (MOHW's Approval Notice No. 1046044455) has successfully enrolled its first patient at the Chi-Mei Medical Center in Tainan in December 2015, and plans to enroll a total of 160 patients and to complete in June 2016.

The Group is one of the regional partners of SillaJen, Inc., a South Korean based biotechnology company headquartered in Busan South Korea, for Pexa-Vec (formerly JX-594). The investigational therapy, Pexa-Vec, is an attenuated vaccinia virus engineered to stimulate anti-tumor immunity and directly lyse tumor cells. Pexa-Vec has enhanced cancer selectivity through the deactivation of its thymidine kinase (TK) gene, and it has been engineered to ex-press the granulocyte-macrophage colony stimulating factor (GM-CSF) gene to stimulate a systemic anti-tumor immune response. The first patient for the multinational randomised Phase 3 open-label study of Pexa-Vec, in patients with advanced liver cancer, also known as hepatocellular carcinoma (HCC) has just been enrolled in January 2016. The clinical trial certificate from China CFDA is expected in the second quarter of 2016.

During the year under review, the pharmacokinetic study for Propionyl L-Carnitine was completed which is the condition for IDL approval. The report has just been submitted to CFDA and IDL approval is expected before end of 2016.

With three new clinical trial certificates obtained during the year under review, the Group has more than 13 clinical studies in either operational or preparatory stage. It further demonstrates the Group's investment and commitment in new drug development as the engine for sustainable growth.

International Partnerships

During the year and up-to-date, the Group has made great strike in partnership. We have concluded six licensing agreements with United States, European, Chinese and Japanese companies to license or acquire assets that represent near or medium term opportunity. Most of the agreements involve manufacturing right for the asset, a reflection of the Group's strategy to exert better control over its assets by leveraging on its expanding manufacturing capability.

In August 2015, the Group entered into a Development, Supply and Commercialisation Agreement to market a pharmaceutical product dispenser which may be pre-filled with a pharmaceutical agent and used to infuse the pharmaceutical agent for use in Ropivacaine Product Field and/or Propofol Product Field in China, Hong Kong, Macau, Taiwan and Thailand. This unique formulation provides a local alternative to systemic anesthetic for management of post-surgery pain.

In August 2015, the Group entered into an agreement with a company in China and acquired the rights to manufacture and market sodium phenylbutyrate (苯丁酸鈉) tablet in China which has already received approval by CFDA. The sodium phenylbutyrate tablet will be manufactured in the Group's Guangzhou Nansha manufacturing site and launched into the market in 2017. Sodium phenylbutyrate is for adjunctive therapy in the chronic management of hyperammonemia due to Urea Cycle Disorder, a genetic rare disease with prevalence of one in every 8,000 new born. The disease causes severe morbidity in children with highly unmet medical need.

In September 2015, the Group entered into a License, Development and Commercialisation Agreement with Armetheon, Inc. ("**Armetheon**"), a specialty pharmaceutical company developing novel small molecule drugs for cardiovascular diseases, in which Armetheon grants to China Cardiovascular Focus Limited, a subsidiary of the Group, the exclusive license to manufacture, develop and commercialise Tecarfarin, an anticoagulant agent for the prevention of thrombosis, in China, Hong Kong, Macau, Taiwan and Thailand.

In November 2015, the Group entered into a License and Development Agreement with Tragara Pharmaceuticals, Inc. ("**Tragara**"), a US biotech company based in San Diego, California, in which Tragara grants to China Oncology Focus Limited, a subsidiary of the Group, the exclusive license to manufacture, develop and commercialise TG02 for the treatment of both hematologic and solid tumors in China, Hong Kong, Macau and Taiwan. TG02 is a unique, oral multi-kinase inhibitor which combines the benefits of inhibiting important cyclin dependent kinases (CDK's) equipotently with JAK2, FLT3, and ERK5 inhibition. TG02 development will initially focus on the treatment of hematologic malignancies, including multiple myeloma (MM) and chronic lymphocytic leukemia (CLL), based on the consistent anti-tumor activity that has been observed across a broad spectrum of hematologic cancer models, including those resistant to currently available therapies. Adding this targeted therapy agent into the Group's pipeline, together with a PD-L1 monoclonal antibody, an oncolytic virus and a proprietary chemo agent under development, will well position the Group in the oncology space and making in-house combination treatment possible.

In November 2015, the Group entered into a License, Promotional and Supply Agreement with Solasia Pharma K.K. ("**Solasia**"), in which Solasia grants to Lee's Pharmaceutical (HK) Limited, a subsidiary of the Group, the exclusive license to promote, offer for sale, sell, market, distribute and deliver Sancuso® in China (excluding Taiwan, Hong Kong, Macau, Beijing, Shanghai and Guangzhou). Sancuso® is in the form of patch and provides an alternative to taking pills for the continuous control of chemotherapy induced nausea and vomiting.

In December 2015, the Group entered into a License and Supply Agreement with Laboratorios Salvat, S.A. ("**Salvat**"), in which Salvat grants to Lee's Pharmaceutical (HK) Limited for the marketing and distribution of Duoxal® ear drops (patented combination solution of Ciprofloxacin and Fluocinolone Acetonide) in China, Hong Kong, Macau, and Taiwan and an option to add Thailand to the contractual territory. Duoxal® ear drops is a prescription medicine used to treat acute otitis media in patients with tympanostomy tubes and acute otitis externa (swimmer's ear) in adults and children older than 6 months of age.

Expansion of new business opportunities

In order to better capture the business opportunity in the pharmaceutical industry, on 21 August 2015, the Company has committed to invest up to US$8.5 million (approximately HK$66.3 million) into an investment fund, namely, Lee's Healthcare Industry Fund L.P. (the "**Fund**"). The Fund has been established in the Cayman Islands as an exempted limited partnership and with the investment from other investors, the size of the Fund could be up to US$20.2 million (approximately HK$157.6 million). The principal objective of the Fund is to generate attractive financial returns through investing in privately held companies with listing potentials in the biomedical sectors in the United States of America, Europe and Asia, including but not limited to the areas of pharmaceuticals, biologics, diagnostics and medical devices. The Group believes that the investment in the Fund will create synergies to the Group's growth strategy by means of partnership establishments while enhancing the Group's risk mitigated ability on the investment side.

In August 2015, the Company has completed the investment of HK$10,000,000 for 33% equity interest in a private company in Hong Kong which intends to establish and operate a project for the building up and operating a central pharmacy for compounding radio-pharmaceuticals for domestic supply. The design work thereof has been completed during the year under review and the construction work has just commenced in February 2016 and is expected to be completed by end of June 2016.

In September 2015, the Group won the bid for the land use right in respect of the land parcel at RMB111,500,000 (approximately HK$136,030,000) through the public listing-for-sale processes. The land parcel is specifically for medical and sanitary use and is located at Huangge Da Dao West, Huangge Zhen, Nansha District, Guangzhou, the People's Republic of China (中國廣州南沙區黃閣鎮黃閣大道西地塊). The total site area of the land parcel is approximately 36,656 square meter with a total planned gross floor area of approximately 65,981 square meter. The Group planned to build and operate a new private hospital in the land parcel which will consist of specialty centers such as rehab center through partnership with experience operators and the management is currently in active discussions with potential partners.

Sales and Marketing

During the year under review, the Group continued its effort in knowledge-based promotion and leverage on new media to support physician education and to disseminate scientific information for its products.

The Group's fully sponsored China-Europe Echocardiography CME Project (中歐超聲心動圖繼續教育項目) comprised of fifty online echocardiography lessons and is highly acclaimed in the cardiologist community in China. To date, the project has more than 8,400 medical practitioners/physicians registered and gained access thereto. The project reinforces the Group's commitment to brand building and science-based promotion. In addition, the WeChat marketing platform has proved to be extremely valuable in disseminating scientific and educational information pertained to the Group's products, greatly enhancing the Group's knowledge-based marketing strategy and promotion coverage of its products in a cost effective way.

The Group has determined on transforming its sales and marketing organisation during the year. The aim is to not only improve its operation efficiency, but also placed greater efforts on extracting more value from existing assets, expanding the base of revenue to mitigate market risk through creation of focused units. As a result, the operating profit of the group has maintained positive growth during current difficult environment.

Corporate Development

In the corporate development front, the Group had reached an important milestone. On 14 April 2015, the Company entered into a placing agreement with Morgan Stanley & Co. International plc and the placing of 30,000,000 new shares of the Company pursuant to the placing agreement was completed on 22 April 2015. Net proceeds of approximately HK$384 million were planned to be used for manufacturing facilities expansion, R&D and general working capital of the Group to improve the existing business of the Group and future investment purposes of the Group and was fully utilised as intended as at end of the year under review.

In June 2015, Powder Pharmaceuticals Incorporated ("**PPI**"), an associated company of the Group, had successfully attracted strong interest from certain investors and had successfully raised additional funding of approximately US$12 million (approximately HK$93 million) in aggregate by mean of the issuance of new shares of PPI to support its development of Zingo® and continuous blood glucose monitoring system. With respect to the abovementioned fund raising, the Group recorded a one-time gain of HK$31,825,000 which was arising from the deemed disposal of the Group's partial interests in PPI. After the completion on 24 June 2015, the interests in PPI held by the Group has been decreased to 33.92% and PPI remains an associated company of the Group. The aforesaid one-time gain was partially offset by the share of loss of an associate arising from the one-time provision for the termination of the development of glucose meter and glucose patch resulting in a net positive impact of approximately HK$13,033,000 on the net result during the period under review.

PROSPECTS

The more price-sensitive environment and arduous conditions for tender process for pharmaceuticals is expected to continue in 2016. However, the implementation of a slew of new regulations that favour innovation and ingenuity has ushered China's pharmaceutical industry into a new era in which the Group can accelerate its growth.

In February 2016, CFDA announced that it would speed up approvals of new drugs, and it would prioritise the approval of drugs with clear clinical value, including those that use advanced technology or innovative methods. CFDA has especially emphasise that priority will be granted to certain categories of drugs including those for children and the elderly, rare diseases, AIDS, malignant tumors and viral hepatitis. The Group's recent focuses on oncology, rare diseases and pediatric products fit perfectly to the direction of the CFDA. As a result, the visibility of the Group's pipeline will be enhanced significantly.

With expansion in manufacturing capability, investment in product development and partnership, enhancement in sales and marketing efficiency, strengthening in regulatory ability and improvement in balance sheet, the Group is well positioned to face the coming challenging year. The sales of six major products will be benefited from the transformation of its sales organisation and strategy. Remodulin, oral Carnitine and Gaslon N is expected to commence contribution to the revenue growth. Last, but not least, two new products are expected to be launched in 2016. Although it may not have an immediate boost on revenue growth, it will generate excitement in the market place that could be catalyst for sales growth of the existing products.

FINAL DIVIDEND

The Board of Directors recommended a final dividend of HK$0.074 (2014: HK$0.066) per share to shareholders registered in the Company's Register of Members as at the close of business on Wednesday, 25 May 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company was scheduled to be held on Wednesday, 11 May 2016 ("**AGM**"). The notice of AGM will be issued to shareholders of the Company and published on the Company's website at www.leespharm.com and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) AGM

The register of members of the Company will be closed from Monday, 9 May 2016 to Wednesday, 11 May 2016 (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 AGM.

In order to qualify for the right to attend and vote at the AGM, all transfer documents 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, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 6 May 2016.

(b) Payment of the proposed final dividend

The register of members of the Company will be closed from Tuesday, 24 May 2016 to Wednesday, 25 May 2016 (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 2015.

In order to qualify for the proposed final dividend for the year ended 31 December 2015, all transfers documents 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, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 May 2016.

Subject to shareholders' approval of the proposed final dividend of shares at the AGM, the final dividend is payable to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 25 May 2016. The final dividend will be paid on Thursday, 16 June 2016.

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 2015.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

During the year ended 31 December 2015, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). The Company has made specific enquiries to all Directors, and the Company was not aware of any non-compliance with such Model Code and required standard of dealing throughout the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015, with deviation from provision A.5 of the Code which stipulates that every listed company should establish a nomination committee. Detailed corporate governance practices and considered reasons for the deviation from provision A.5 of the Code will be stated in the annual report of the Company for the year ended 31 December 2015.

REVIEW OF ANNUAL RESULTS

The Group's annual results (including the audited consolidated financial statements) for the year ended 31 December 2015 including the accounting principles and practices adopted have been reviewed by the Audit Committee which consists of three independent non-executive Directors, namely, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY INDEPENDENT AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's independent auditor, HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by HLM CPA Limited on this preliminary results announcement.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Company for the year ended 31 December 2015 containing all the detailed information will be dispatched to the shareholders of the Company and published on the Company's website at www.leespharm.com and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

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

Hong Kong, 23 March 2016

As at the date of this announcement, Ms. Lee Siu Fong (Chairman), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors, Dr. Marco Maria Brughera is a non-executive Director, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive Directors.