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 2014

FINANCIAL HIGHLIGHT

	For the year ended 31 December		Change
	2014	2013	
	HK$'000	*HK$'000*	
Turnover	**955,208**	696,953	+37.1%
Gross profit	**670,523**	503,253	+33.2%
Profit attributable to the equity shareholders of the Company	**192,830**	150,467	+28.2%
	HK cents	*HK cents*	
Earnings per share			
Basic	**35.52**	28.41	+25.0%
Diluted	**34.47**	27.05	+27.4%

The board of Directors recommends the payment of final dividend of HK6.6 cents (2013: HK5.2 cents) per ordinary share for the year ended 31 December 2014.

* *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 2014 and the comparative figures as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Turnover	2	**955,208**	696,953
Cost of sales		**(284,685)**	(193,700)
Gross profit		**670,523**	503,253
Other revenue		**17,572**	10,731
Decrease in fair value of derivative financial instruments		**(10,092)**	–
Selling and distribution expenses		**(309,202)**	(222,850)
Research and development expenses		**(37,964)**	(32,262)
Administrative expenses		**(99,345)**	(78,511)
Profit from operations		**231,492**	180,361
Share of results of an associate		**(668)**	(2,418)
Finance costs		**(2,671)**	(1,853)
Profit before taxation		**228,153**	176,090
Taxation	3	**(41,368)**	(27,087)
Profit for the year		**186,785**	149,003
Attributable to:			
Shareholders of the Company		**192,830**	150,467
Non-controlling interests		**(6,045)**	(1,464)
		186,785	149,003
		HK cents	*HK cents*
Earnings per share			
Basic	5	**35.52**	28.41
Diluted	5	**34.47**	27.05

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**186,785**	149,003
Other comprehensive income (expense):		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of revaluation of overseas buildings	**–**	71
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(15,479)**	8,649
Fair value changes of available-for-sale financial assets	**3,319**	–
Other comprehensive (expense) income for the year, net of tax	**(12,160)**	8,720
Total comprehensive income for the year	**174,625**	157,723
Total comprehensive income (expense) for the year attributable to:		
Shareholders of the Company	**180,658**	159,186
Non-controlling interests	**(6,033)**	(1,463)
	174,625	157,723

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Non-current Assets			
Property, plant and equipment		**302,835**	263,073
Intangible assets		**236,218**	194,129
Lease premium for land		**14,486**	15,213
Goodwill		**3,900**	3,900
Interests in an associate		**33,863**	34,531
Held-to-maturity financial assets		**5,323**	5,156
Available-for-sale financial assets		**42,767**	7,882
		639,392	523,884
Current Assets			
Lease premium for land		**324**	333
Inventories		**138,889**	117,881
Trade receivables	6	**99,782**	78,320
Other receivables, deposits and prepayments		**77,735**	43,788
Advance to a related party		**20,069**	20,387
Tax recoverable		**277**	–
Pledged bank deposits		**–**	2,000
Time deposits		**124,352**	176,437
Cash and bank balances		**268,560**	202,625
		729,988	641,771
Current Liabilities			
Trade payables	7	**42,249**	36,493
Other payables		**182,865**	145,365
Obligations under license contract		**3,371**	7,923
Derivative financial instruments		**10,092**	–
Bank borrowings		**52,269**	69,468
Obligations under finance lease		**–**	150
Tax payables		**17,333**	12,758
		308,179	272,157
Net Current Assets		**421,809**	369,614
Total Assets less Current Liabilities		**1,061,201**	893,498

	2014	2013
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**27,236**	26,912
Reserves	**907,105**	759,093
Equity Attributable to the Shareholders of the Company	**934,341**	786,005
Non-controlling interests	**64,526**	66,053
Total Equity	**998,867**	852,058
Non-current Liabilities		
Deferred tax liabilities	**15,522**	14,661
Retirement benefit	**46,812**	23,569
Obligations under license contract	**–**	3,210
	62,334	41,440
	1,061,201	893,498

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to the shareholders 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 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 *(Note)*	–	–	–	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

	Share capital *HK$'000*	Share premium *HK$'000*	Merger difference *HK$'000*	Share-based compensation reserve *HK$'000*	Other reserves *HK$'000*	Revaluation reserve *HK$'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 2013	26,055	260,656	9,200	3,292	17,038	4,036	14,636	247,243	582,156	11,123	593,279
Employee share option benefits	–	–	–	2,727	–	–	–	–	2,727	–	2,727
Exercise of share options	99	5,300	–	(654)	–	–	–	–	4,745	–	4,745
Share of share-based compensation reserve of a subsidiary *(Note)*	–	–	–	27	–	–	–	–	27	13	40
Transfer of revaluation reserve to retained earnings upon disposal	–	–	–	–	–	(4,107)	–	4,107	–	–	–
Issue of shares pursuant to Shareholders' Agreement	758	26,370	–	–	–	–	–	–	27,128	–	27,128
Deemed partial disposal of interests in a subsidiary	–	–	–	–	43,274	–	–	–	43,274	56,380	99,654
Profit (loss) for the year	–	–	–	–	–	–	–	150,467	150,467	(1,464)	149,003
Other comprehensive income for the year	–	–	–	–	–	71	8,648	–	8,719	1	8,720
Total comprehensive income (expenses) for the year	–	–	–	–	–	71	8,648	150,467	159,186	(1,463)	157,723
2012 final dividend paid	–	–	–	–	–	–	–	(20,871)	(20,871)	–	(20,871)
2013 interim dividend paid	–	–	–	–	–	–	–	(12,367)	(12,367)	–	(12,367)
At 31 December 2013	26,912	292,326	9,200	5,392	60,312	–	23,284	368,579	786,005	66,053	852,058

Note: Share of share-based compensation reserve of a subsidiary was derived from a subsidiary, CVie Therapeutics Company Limited, which has granted share options to its employees in 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The accounting policies and methods of computation used in these consolidated financial statements are the same as those followed in the presentation of the Group's annual financial statements for the year ended 31 December 2013, save as the following amendments to HKFRSs and a new interpretation that the Group has applied for the first time in the current year.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of these amendments to HKFRSs and the new interpretation in the current year has had no material impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

2. SEGMENT INFORMATION

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-development pharmaceutical products
Licensed products	–	Trading of license-in pharmaceutical products

Segment turnover and results

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

	Proprietary products		Licensed products		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment turnover	**386,258**	307,073	**568,950**	389,880	**955,208**	696,953
Segment results	**168,785**	106,809	**110,057**	100,929	**278,842**	207,738
Interest income					**2,851**	2,717
Unallocated expenses					**(50,201)**	(30,094)
Profit from operations					**231,492**	180,361
Finance costs					**(2,671)**	(1,853)
Profit before share of results of an associate					**228,821**	178,508
Share of results of an associate					**(668)**	(2,418)
Profit before taxation					**228,153**	176,090
Taxation					**(41,368)**	(27,087)
Profit for the year					**186,785**	149,003

Segment turnover reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2013: 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, interest income, finance costs, share of results of an associate, 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 products		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**236,748**	226,132	**685,511**	503,542	**922,259**	729,674
Unallocated assets					**447,121**	435,981
Total assets					**1,369,380**	1,165,655
Segment liabilities	**118,746**	98,890	**172,100**	163,719	**290,846**	262,609
Unallocated liabilities					**79,667**	50,988
Total liabilities					**370,513**	313,597

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

- all assets are allocated to operating segments other than interests in an associate, advance to a related party, tax recoverable, 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 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 products		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**17,845**	9,705	**1,525**	1,813	**19,370**	11,518
Amortisation of intangible assets	**–**	197	**9,191**	4,443	**9,191**	4,640
Additions to non-current assets (Property, plant and equipment and intangible assets) during the year	**35,918**	69,357	**90,884**	152,699	**126,802**	222,056
Impairment of intangible assets	**–**	–	**5,649**	6,094	**5,649**	6,094

Geographical information

During the years ended 31 December 2014 and 2013, more than 90% of the Group's turnover was derived from activities conducted in the People's Republic of China ("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	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**793,265**	556,559	**576,115**	609,096	**1,369,380**	1,165,655
Segment liabilities	**198,933**	175,882	**171,580**	137,715	**370,513**	313,597

3. TAXATION

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**25,875**	14,763
PRC Enterprise Income Tax	**13,153**	11,278
Under (over) provision in prior year	**1,233**	(191)
	40,261	25,850
Deferred tax		
Origination and reversal of temporary differences	**1,107**	1,237
	41,368	27,087

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% (2013: 15% to 25%).

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

4. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Interim dividend paid – HK$0.027 (2013: HK$0.023) per share	**14,687**	12,367
Final dividend proposed – HK$0.066 (2013: HK$0.052) per share	**35,952**	27,989
	50,639	40,356

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of HK6.6 cents per share (2013: HK5.2 cents per share in respect of the year ended 31 December 2013) 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 2014.

5. EARNINGS PER SHARE

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

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Earnings:		
Net profit attributable to shareholders of the Company for the purpose of basic earnings per share	**192,830**	150,467
Effect of dilutive potential ordinary shares:		
Adjustment in relation to contingent share arrangement	**41**	(2,669)
Net profit attributable to shareholders of the Company for the purpose of diluted earnings per share	**192,871**	147,798

	2014	2013
	Share(s)	Share(s)
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**542,871**	529,656
Effect of dilutive potential ordinary shares:		
Options	**9,780**	11,706
Contingent share arrangement *(Note)*	**6,905**	4,996
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**559,556**	546,358

Note:

As per shareholders' agreement (the "Agreement") of Powder Pharmaceuticals Incorporated ("PPI") signed on 8 January 2010, the shareholders (except Lee's Pharmaceutical International Limited, a subsidiary of the Group) of PPI shall be entitled to exercise the rights to convert, (and not parts) of its shares free from encumbrances to shares of the Company. The shareholders of PPI can convert the shares at valuation of HK$1.80 per share, subject to adjustments, starting from the day after the 3rd anniversary and ending on the day immediately before the 5th anniversary of the date of agreement, i.e. from 8 January 2013 to 7 January 2015 (the "Conversion Period").

At 31 December 2014, the shareholders of PPI could convert 6,905,000 shares of the Company during the remaining conversion period. The contingent share arrangement has been expired on 7 January 2015.

6. TRADE RECEIVABLES

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**100,346**	82,230
Less: Allowances for bad and doubtful debts	**(564)**	(3,910)
	99,782	78,320

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:

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**35,640**	38,656
31 – 120 days	**57,433**	23,802
121 – 180 days	**4,571**	4,362
181 – 365 days	**2,004**	4,404
Over 365 days and under 3 years	**134**	7,096
	99,782	78,320

The fair value of the Group's trade receivables at 31 December 2014 approximate to the corresponding carrying amount.

Of the trade receivables balance at the end of the year, HK$22,116,482 (2013: HK$21,592,322) is due from the Group's top two customers. There are no other customers who represent more than 5% of the total balance of trade receivables.

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

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Overdue by:		
1 – 180 days	**18,520**	21,491
181 – 365 days	**521**	1,655
	19,041	23,146

Movement in allowance for bad and doubtful debts

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Balance at beginning of the year	**3,910**	4,908
Exchange rate adjustments	**(50)**	35
Written back of allowance for bad and doubtful debts	**(3,296)**	(1,033)
Balance at the end of the year	**564**	3,910

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

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Overdue by:		
181 – 365 days	**521**	1,655
Over 365 days and under 3 years	**43**	2,255
	564	3,910

7. TRADE PAYABLES

The fair value of the Group's trade payables at 31 December 2014 approximates to the corresponding carrying amount.

The following is an aging analysis of trade payables at 31 December 2013 and 2014.

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
0-90 days	**42,227**	16,906
91-180 days	**–**	19,583
181-365 days	**10**	–
Over 365 days	**12**	4
	42,249	36,493

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.

BUSINESS REVIEW

Year 2014 was a flourishing year for the Group. Despite the official data showed that China's economy grew at its slowest pace in 24 years, pharmaceutical spending in China continued to outpace economic growth as the deepening of the medical and healthcare reforms in China has enabled a greater number of people to access affordable healthcare, unleashing demand for medicines. Equipped with sales and marketing team dedicated to promotion through disseminating scientific information as well as a unique approach in drug development leveraging on strategic partnerships, we are well-positioned to take advantage of the market opportunities in the field. During the year under review, not only our turnover and net profit growth took another leap forward reaching new height since the Group listed in 2002, we also strengthened the foundation for sustained future growth by expanding the breadth of the Group's drug development realm and enhancing manufacturing capability.

Turnover and Profit

Turnover for the year attained another peak of HK$955,208,000 which represented a significant increase of 37.1% compared with last year. While our flagship product Carnitene® continued to be the major contributor to revenue growth with an increase of 38.5%, we also witnessed the potential of revenue base-broadening from other major products such as Ferplex®, Livaracine®, Yallaferon®, which showed strong year-on-year sales growth of 64.9%, 39.6% and 31.1%, respectively. The sales of our newer product Zanidip®, a product to benchmark the performance of our direct sales force, has also recorded a remarkable growth of 69.3%. Another established product Slounase® continued to rebuild its growth momentum in the second half of the year and completed a turnaround with a sales increase of 12.2% in the year.

Gross profit ratio for the year dipped by 2 percentage points to 70.2% during the year, which reflected the cost associated to the transition of the new GMP standard manufacturing facility in Hefei during the year as well as the result of increasing revenues from licensed-in products that normally have higher cost of goods. Selling expenses to turnover ratio stabilised at 32.4% or 0.4 percentage point higher than that of last year despite more aggressive marketing and promotion campaign was made to better disseminate scientific information and support physician education. Research and development is pivotal for the Group to achieve long-term sustainable growth, during the year, we continued to invest a considerable amount of money into research and development for the new drug development. Research and development expense increased to HK$37,964,000 from HK$32,262,000 of the previous year. As a result, net profit attributable to equity shareholders of the Company was HK$192,830,000, which represented an increase of 28.2% over last year. The difference was attributable to an one-time provision on currency exchange instrument. However, at the operating profit level, the growth was more in line with revenue growth at 33.9%. Consequently, the net profit margin for the Year 2014 was 1.4 percentage points lower than Year 2013 at 20.2%.

Quality System, Production and Manufacturing Facilities

Hefei manufacturing facility with total floor area of 4,600 square meters which is built in accordance with China Food and Drug Administration ("CFDA") new GMP standards has been gradually entered into the optimal phase of production during the year. By leveraging these fully automated production system for four dosage forms, namely small volume for injection, lyophilised powder for injection, recombinant interferon topical gel and eye gel, our production capacity has been enhanced significantly while the quality risk for the products has been substantially reduced.

The construction works of the Nansha manufacturing site that includes two factory buildings with total floor area of over 57,000 square meters have been substantially completed during the year. Among which the warehouse which is built in accordance with CFDA new GSP standards has been brought into operation in the fourth quarter of 2014 and the importation and logistic of the Group's licensed-in products, which accounted for 60% of the Group's total revenue in 2014, have since been consolidated. The cost savings from the improved efficiency and effectiveness should become more apparent in the near future.

Production line for solid dose formulation will be the first production facility to be erected in Nansha manufacturing site and its planning and design works have already been commenced. The facility is expected to be in test run by end of 2015. This new facility will provide new dimension in the Group's drug development and the new capability will substantially boost the Group's product offering range in oral formulations, an area of significant market potential. Following the solid dose facility, the biologics facility is the next item on the drawing board. Biologics have become the drugs of future as seven out of top ten worldwide selling drugs are biologics today. The facility is the key component of the Group's effort to develop PD-L1 monoclonal antibody, a biologic for the treatment of cancer.

Powder Pharmaceuticals Incorporated ("PPI"), an associate of the Group, has obtained the PIC/S GMP certificate from the Department of Health of Hong Kong SAR, making Zingo® the first injection product in Hong Kong with such GMP certification. The financial performance has since been improved after the ramping up of shipment volume of Zingo® to our distribution partner in the United States.

Drug Development

Year 2014 was a monumental year for the Group's drug research and development. According to "INSIGHT-China Pharma Data", the Group had three IND of new chemical entity (NCE) submitted by Zhaoke Pharmaceutical (Hefei) Company Limited, a wholly-owned subsidiary of the Group, to the China Food and Drug Administration's Center for Drug Evaluation (CDE) in the year under review, ranked second among other 4,000 pharmaceutical industry players in mainland China for the Year 2014. The three IND submitted during the year under review were new chemical entity targeting chemo-induced alopecia, dry eye syndrome and vaginal infection, respectively. These development efforts fall into the five focused areas of the Group, namely dermatology, ophthalmology, gynecology, cardiovascular and oncology.

In addition, the Group's proprietary drug Anfibatide was selected as the "Major New Drugs Innovation and Development Scheme" designation by the Commission of Health and Family Planning of China. This prestige award not only entails grant support from the government for clinical development of the product, but also provides fast track designation for regulatory review of the product.

In February 2014, the Investigational New Drug (IND) application for Adapalene and Clindamycin combination hydrochloride Gel, a proprietary product (China Patent No. 200810004156.1) developed by the Group's in-house R&D team for the treatment of moderate to severe acne, was approved by CFDA. The preparation for its Phase I/II clinical trials has been completed and the ethic committee approval from the principle investigator's institute has been obtained. The pharmacokinetic study has since been started and the first patient for the clinical study has just been enrolled. This proprietary formulation could significantly improve treatment compliance and provide treatment benefit for patients.

At the end of 2014, the Group received approval to conduct phase IIb study for Istaroxime, a proprietary product for acute heart failure. This proof-of-concept study in an area of significant unmet medical need is being carried out in both Italy and China. The Italian arm has just completed its targeted enrollment of 24 patients and data is currently under analysis. The experience as to adverse effects has been positive. The Group is gearing up the preparation for the Chinese arm study that is expected to start patient enrollment before the end of first half of 2015. With its unique mechanism of action, Istaroxime offers new treatment option that could improve prognosis of this deadly disease.

In November 2014, the Group has successfully completed the patient enrollment of a Phase IIa dose-escalating study of Anfibatide in China. This is a phase IIa multi-centers, double-blind, multi-dose, parallel group, placebo controlled clinical study (clinicaltrial. gov registration No.: NCT01585259), led by the Peking University First Hospital. The study aims to evaluate the safety, efficacy and tolerability of Anfibatide in non-ST-segment elevation myocardial infarction (NSTEMI) patients who will undergo PCI treatment after coronary angiography and provide theoretical information for Phase IIa and Phase III clinical trials of Anfibatide. Preliminary safety data shows that Anfibatide is a safe anti-platelet agent with minimum bleeding issue that warrants further study. The results of the study are presently under analysis and the preliminary data shows a very benign safety profile for the drug and some encouraging signals of the drug efficacy. As a result, the Group has decided to accelerate the development of the drug by initiating a Phase IIb clinical study for STEMI patients as soon as possible. The preparation for such phase IIb study is nearly completed and the first patient enrollment is targeted by May of 2015.

Besides acute ischemia myocardial syndrome, the Group is actively pursuing other indications such as Thrombotic Thrombocytopenic Purpura (TTP) for Anfibatide. Study by our collaborator in University of Pennsylvania (USA) has shown that Anfibatide is effective in treating TTP in animal model. The Group has since made application to the US FDA for orphan drug designation for Anfibatide. Decision from US FDA is expected during the next couple of months. Although it affects only a small population, TTP is a severe disease that does not have any cure and plasma exchange is the only remedy for alleviation of condition. Anfibatide could provide those patients an alternative that is less costly and help to improve the quality of life.

During the period under review, the Group has completed the phase III, registration-enabling clinical study of Prulifloxacin for the treatment of acute exacerbation of chronic bronchitis in Chinese patients. The study met its primary endpoint and demonstrated non-inferiority to Levofloxacin, the current most prescribed quinolone in China. However, as Prulifloxacin is the only quinolone devoid of QT prolongation, a sign of cardiotoxicity among the class, it could provide a safer treatment option. The Group will submit the application for Import Drug License for Prulifloxacin in April 2015.

Imported Products Registration

In November 2014, the Group has successfully obtained an Import Drug License (IDL No. H20140799) from the CFDA to import and market Mictonorm® (Propiverine Hydrochloride) 30mg Capsules in China. Mictonorm® contains Propiverine Hydrochloride as its active ingredient. Propiverine belongs to the anticholinergic or antimuscarinic muscle relaxant class and is one of the most frequently prescribed drugs for the treatment of unstable bladder conditions and urinary incontinence. The launch of Mictonorm® in the second half of 2015 will further broaden the Group's revenue base.

International Partnerships

Partnership establishment is our main theme in the Year 2014. During the year under review, the Group has successfully concluded 7 new licensing agreements for the development and marketing of pharmaceuticals in various stage of development with partners in the European countries, United States, mainland China and Taiwan respectively. These partnerships reflect the Group's efforts to deploy resources in new areas of drug development, expanding the breadth of its products portfolio while improving its risk mitigated ability.

In February 2014, the Group entered into a license agreement with Dilafor AB, a Swedish drug development company, to manufacture, develop and commercialisse tafoxiparin for obstetrics and gynecological indications in China, Hong Kong, Macau and Taiwan. Pursuant to the terms of the agreement, the Group and Dilafor will jointly develop tafoxiparin for obstetrical and gynecological indications. The joint clinical development program of tafoxiparin will initially be focused on reducing labor times for patients who do not start labor spontaneously and are induced into labor, an indication where both the Group and Dilafor see a major medical need for the product in terms of improving outcomes for both mother and baby.

In April 2014, the Group entered into a License, Distribution and Supply Agreement to market Sodium Neridronate finished product in China, Hong Kong, Macau and Taiwan. The product is indicated for two orphan/rare diseases Osteogenesis Imperfecta and Complex Regional Pain Syndrome (also known as Algodystrophy). Neridronate is the only therapeutic agent approved in the world for the orphan diseases Osteogenesis Imperfecta (OI, Brittle bone disease) and Complex Regional Pain Syndrome (CRPS). Neridronate consistently showed superior safety profile in long-term use and is highly tolerated by adults and pediatric population. It is the only bisphosphonate indicated for use in neonates and children.

In May 2014, the Group and ScinoPharm Taiwan, a specialty Active Pharmaceutical Ingredient (API) company entered into two collaboration agreements to jointly develop and produce Fondaparinux, an anti-thrombotic agent and Travoprost and Bimatoprost, two prostaglandin derivative drugs for treating glaucoma. The cooperation with ScinoPharm of Taiwan announced the Group's intention to become a player in first-generic arena. Capitalising on the strengths and expertise of the two companies, the products are expected to offer competitive advantages upon entering into the Chinese high-end generic drug market. The competitive advantage of ScinoPharm in the development and manufacturing of API and the strength of the Group in the development, manufacturing and marketing of pharmaceuticals will complement one another and creating tremendous synergy. This partnership will enable the Group to be more aggressive in its drug development efforts, creating new territory for future growth.

In September 2014, the Group entered into a License, Distribution and Supply Agreement to market Cholecalciferol (or Vitamin D3) in China, Hong Kong, Macau and Taiwan. Deficiency of Vitamin D is a common condition especially in patients on dialysis, as the patients who are suffering impaired renal function may result in reduced production of Vitamin D. Management expect the availability of Cholecalciferol will strengthen the Group's exposure in dialysis area together with one of the Group's flagship product, Carnitene®, to help the improvement of quality of life of dialysis patients.

In October 2014, China Oncology Focus Limited, a 65% owned subsidiary of the Group, entered into an Exclusive Licensing Agreement with Sorrento Therapeutics, Inc. ("Sorrento") of US, a late-stage clinical oncology company developing new treatments for cancer and its associated pain, to develop and commercialise anti-PD-L1 monoclonal antibody (mAb) STI-A1014 in China, Hong Kong, Macau and Taiwan. The partnership with Sorrento for the development of anti-PD-L1 monoclonal antibody is the Group's attempt to enter into biologics drug development in immunotherapy for cancer, an area of most excitement and promise. Capitalising Sorrento's antibody technologies as well as its immunotherapy expertise, this partnership will enable the Group to address high unmet oncology needs in the Chinese market by bringing new effective immuno-oncology therapy thereto. Phase 1 clinical trial of the anti-PD-L1 antibody in China is

expected to be initiated in 2016. In addition, the Company has invested US$3.6 million (approximately HK$27.9 million equivalent) by purchasing common stock in Sorrento and aimed to create long-term mutual beneficial business relationship with Sorrento. PD-L1 and PD-1 monoclonal antibodies are also called checkpoint inhibitors. They could unlock cancer patient's immune response to effectively combat cancer. The development of checkpoint inhibitors has created tremendous excitement in the cancer therapy field and first product has been approved by FDA and Japanese authority for the treatment of advanced malenoma.

In November 2014, Powder Pharmaceuticals Incorporated ("PPI"), an associate of the Group, entered into a Strategic Partnership with EyeSense AG to develop and commercialise a novel continuous blood glucose monitoring system for diabetes patients in China and other Asian countries. EyeSense AG is a Switzerland based company which develops diagnostic systems focusing on glucose testing for diabetic patients. This partnership will enable the Group to create new territory in pharmaceutical device for future growth. Moreover, the Company has invested a minority stake in EyeSense AG and aimed to enhance the Group's development in the area of pharmaceutical product.

In November 2014, the Group entered into a Strategic Collaboration with Ikaria, Inc., for the Registration and Commercialisation of Ikaria's INOmax® Line Products in China, Hong Kong, Macau and Taiwan. Ikaria, Inc. is a critical care company focused on developing and commercialising innovative therapies designed to address the significant needs of critically ill patients. INOmax® (nitric oxide) is currently the only drug approved by the US FDA to treat hypoxic respiratory failure (HRF) associated with pulmonary hypertension in term and near-term infants greater than 34 weeks gestational age. INOmax® therapy package is currently sold in the North American Region directly to hospitals and the Group has committed to bring INOmax® therapy package into the Chinese market.

In December 2014, the Group entered into an agreement with a local company to acquired two clinical stage products, a class II and a class III (first generic) respectively. This effort reaffirms our commitment to enter the first generic market in China. Both products address significant unmet medical need and are near to mid-term opportunity with good market potential.

Sales and Marketing

Sales momentum of the Group remained strong despite a challenging market environment because of the Group's renewed effort in knowledge-based promotion and leverage on new media to support physician education and to disseminate scientific information for its products. This market strategy is best illustrated by the China-Europe Echocardiography CME Project, initiated and fully sponsored by the Company, in collaboration with the University of Padua in Italy and the Chinese Society of Echocardiography of the Chinese Medical Doctor Association. Using a web-based,

interactive multimedia formula, the first-of-its-kind two-year project aims to provide continuing medical education (CME) for cardiologists in China. Specific topics have been approved by the National Health and Family Planning Commission of the PRC to award CME credits. Since its inauguration in October 2014, more than 1,800 medical practitioners/physicians have registered and gained access to the program. The project reinforces the Group's commitment to brand building and science-based promotion.

Cost-effectiveness continued to be the main theme of our sales and marketing strategies. Without increase in number of sales personnel, the direct sales team achieved a sales growth of more than 110% in 2014 through improvement in operational efficiency. Better tracking and monitoring system also helped to make the marketing activities, such as case study, conference and seminar, much more cost-effective.

Besides the six major products of the Group, the sales and marketing efforts also focused on the newer products such as oral carnitine and Remodulin®. During the year, our specialised team in pulmonary hypertension which operates through CVie Therapeutics continued to market and promote the use of Remodulin® in mainland China and achieved significant improvement on sales volume. The continuous growing of a highly specialised team with enormous knowledge of pulmonary hypertension has provided the best service to patients. We have more than 120 critically ill patients gained access to and benefit from Remodulin® treatment in this first year of product launch which was remarkable. As a life-saving drug, the Group is pleased to see Remodulin® help patients and address the unmet medical need in the clinical setting. The launch of oral carnitine complements well to the Group's carnitine franchise and provides catalyst for future growth. The Group is actively participating in new tenders for the product and expect to see a gradual uptake of sales in the future.

Corporate Development

The year also witnessed a series of achievements for excellence in the corporate development front. In November 2014, the Company was included into the Morgan Stanley Capital International ("MSCI") Global Small Cap China Index Constituent Stocks. Most recently, the Company has been selected by Hang Seng Indexes Company Limited as a constituent of the Hang Seng Broad Consumption Index ("HSBCI"), Hang Seng Mainland Consumer Goods Index ("HSMCGI"), Hang Seng Global Composite Index ("HSGCI") and Hang Seng Composite Index ("HSCI") Series including: Hang Seng Composite Index, Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index, with effect from 9 March 2015. The inclusion has symbolised our improving recognition in the capital market and also strengthened the Group's benchmarking position in the international capital markets.

PROSPECTS

Looking ahead, 2015 could be an unsettled year for the pharmaceutical industry in China. It is billed as the most tender-heavy year in recent time as more than 20 provinces will have tenders opened during the year. Tender rules vary from province to province, putting product on constant price pressure. The reform in healthcare will also create near term uncertainty for hospital and industry alike. However, new tender will provide market access for not only existing products, but also more importantly, for newer products that otherwise will be eliminated from the channel. The continuing investment in the healthcare by the government will keep driving up the demand for good medicine as well. Thus, with an improvement in its key fundamentals such as a matured sales and marketing team and a diverse drug portfolio, the Group remains cautiously optimistic about the prospect in 2015 and beyond and will continue to stay focused to its growth strategy.

China is currently the third largest pharmaceutical market in the world behind the United States and Japan. However, as it continues its double-digit growth, it is expected to become the second largest pharmaceutical market by 2016. The Chinese Government continues to improve the healthcare infrastructure and community health services under the current Five-Year Plan (2011-2015) and this would drive further market growth in the coming years. The large and aging population in the region will also offer lots of growth potential in pharmaceutical expenditure, both in total and per-capita basis.

We are committed to develop innovative pharmaceutical products to fight diseases and improve health and quality of life. The newer drugs such as oral carnitine and Remodulin® are gaining traction in the market place. The opening of new tenders will serve as catalyst for sales growth. The anticipated launch of Mictonorm® in later 2015 will provide new momentum for the Group. Existing products could benefit from the excitement generated by the new launch campaign, fueling further product growth. In addition, currently the Group has 7 clinical programs ongoing, of which 2 programs for Category 1 drugs, with fast track review designations. Three of the programs are near term opportunity (three year) and they will enable the Group to seize the growth opportunities in the China pharmaceutical industry today and in the future.

Three of the Group's imported drugs, namely Nicetile®, Dromos® and Trazodone (Trittico®), are under final review by CFDA. The approvals for two of them are expected in 2015 which will then further strengthen and broaden our product line for future growth.

Both external and internal conditions for the industry are promising in the near future. Leveraging on its advantages of product pipeline building, manufacturing and sales and marketing strategies, the Group is well prepared for the development to a new height.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the Group's annual results for the year ended 31 December 2014.

FINAL DIVIDEND

The Board of Directors recommended a final dividend of HK$0.066 (2013: HK$0.052) per share to shareholders registered in the Company's Register of Members as at the close of business on Wednesday, 20 May 2015.

ANNUAL GENERAL MEETING

The annual general meeting of the Company was scheduled to be held on Monday, 11 May 2015 ("**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 Thursday, 7 May 2015 to Monday, 11 May 2015 (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 Wednesday, 6 May 2015.

(b) Payment of the proposed final dividend

The register of members of the Company will be closed from Tuesday, 19 May 2015 to Wednesday, 20 May 2015 (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 2014.

In order to qualify for the proposed final dividend for the year ended 31 December 2014, 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, 18 May 2015.

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, 20 May 2015. The final dividend will be paid on Thursday, 11 June 2015.

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 2014.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

During the year ended 31 December 2014, 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 2014.

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 2014, 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 2014.

PUBLICATION OF FINANCIAL INFORMATION

The annual report of the Company for the year ended 31 December 2014 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, 26 March 2015

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.