

* For identification purpose only

LEE'S PHARM.

李氏大藥廠

Lee's Pharmaceutical Holdings Limited

李氏大藥廠控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 950)

THIRD QUARTERLY REPORT 2017



QUARTERLY FINANCIAL STATEMENTS

The directors (the “**Directors**”) of Lee’s Pharmaceutical Holdings Limited (the “**Company**”) present herewith the unaudited consolidated quarterly financial results (the “**Quarterly Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2017, together with the comparative figures for the corresponding period in 2016. The Quarterly Results are unaudited, but have been reviewed by the Company’s auditor, HLM CPA Limited (the “**Auditor**”) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The audit committee of the Company has also reviewed with the management and the Auditor this unaudited report for the nine months ended 30 September 2017 before recommending it to the board of Directors for approval.

BUSINESS REVIEW

The Group has sustained its momentum in revenue growth into the third quarter and achieved double-digit growth rates across most product sales. In addition, overall gross margin of the Group has been stabilised despite the in-house products have been facing continued rising production cost pressure and the licensed products have been enduring the appreciation in the value of the euro throughout the period. With the improved visibility on the Group’s operating performance, the Group continues to stay focus on its research and development (“**R&D**”) efforts with special attention to those near term opportunities in order to speed up the time to market of its new products.

Even with the effect of the depreciation of Renminbi of approximately 2.4% during the period, the Group’s reported revenue for the third quarter of this year was HK\$275,010,000, which represented positive quarter-on-quarter growth of 10.5% and quarter-over-quarter growth of 10.6%. The consecutive double-digit growth of quarterly revenue was driven by across-the-board improvement of product sales. The Group’s major products such as Carnitene[®], Ferplex[®], Zanidip[®], Yallaferon[®] and Livaracine[®] in the third quarter (in Hong Kong Dollar) registered increase of 11.9%, 3.7%, 19.8%, 8.9% and 12.7%, respectively. For the nine months ended 30 September 2017, the Group’s revenue reached HK\$749,760,000 and increased mildly by 7.3%.

Sales of licensed-in products accounted for 54.1% (nine months ended 30 September 2016: 52.6%) of the Group’s revenue while sales of proprietary products contributed 45.9% (nine months ended 30 September 2016: 47.4%) of the Group’s revenue.

During the third quarter of this year, the Group's gross profit margin was 67.2%, decreased by 0.9 percentage points as compare to 68.1% achieved in the same quarter last year. The combined effects of increase in material purchase costs for the production of in-house products as well as increase in import costs of licensed-in products due to the appreciation of Euro continued to put pressure on the gross profit margin during the period under review.

Selling expenses to revenue ratio during the quarter was 21.4%, slightly increased by 0.3 percentage points as compared to 21.1% achieved in the same quarter last year. The selling expenses to revenue ratio for the nine months ended 30 September 2017 was 20.4%, decreased by 2.9 percentage points as compare to 23.3% attained in the same period last year. The streamlined structure and organisation of sales and marketing enhance efficiency and yield considerable cost savings to the Group, which in turn delivered cost savings to the Group. During the first nine months of the year, the R&D expenses was increased by 19.2% to HK\$57,414,000, which represented 7.7% of revenue during the period under review. Reported net profit attributable to the equity shareholders of the Company for the period was HK\$186,894,000, slightly decreased by 3.8% as compared to HK\$194,229,000 in the same period last year.

Reported net profit attributable to the equity shareholders of the Company for the third quarter was HK\$61,824,000, increased by 3.9% as compared to the underlying net profit attributable to the equity shareholders of the Company in the same quarter last year which adjusted principally for significant one-off items such as development upfront income and impairment of intangible assets.

The Group's solid dose production facility in its Nansha manufacturing site is already in operation. Subsequent to the period end date, three batches of Sodium Phenylbutyrate and Azilsartan respectively have been successfully manufactured in October 2017. Sodium Phenylbutyrate is used for adjunctive therapy in the chronic management of hyperammonemia due to urea cycle disorder, a genetic rare disease with prevalence of approximately one in every 8,000 new born babies. Clinical trial waiver has been obtained and therefore, Sodium Phenylbutyrate could be the first product from its oral dose production line in Nansha upon the receipt of New Drug Application ("NDA") approval from the China Food and Drug Administration ("CFDA") in the foreseeable future. Azilsartan is an angiotensin II type-1 receptor blocker and is used for the reduction of blood pressure of hypertension patients.

The Group's commitment to R&D persisted in the quarter. Meanwhile, with over 50 projects in the pipeline, the Group must prioritise its resources and focus on the near term opportunities. Saved as Sodium Phenylbutyrate and Azilsartan, the Group also have the following near term projects.


Phase III clinical trial for advanced liver cancer using its oncolytic immunotherapy called Pexa-Vec (formerly JX-594), the PHOCUS study, has been approved (Approval No. 2017L04441) by the CFDA. The clinical study will globally enroll 600 patients (300 in China, 300 in the rest of the world) and over one-third of the patients required have been enrolled to date. The preparation for opening of study sites in China has been gearing up and first China patient is expected to enroll in near future.

Phase Ib/IIa clinical study of Adapalene and Clindamycin combination hydrochloride gel for acne vulgaris (moderate to severe acne) has been completed and positive results therefrom which meet pre-specified endpoints has been attained. The study demonstrated that patients treated with 0.1% Adapalene + 1% Clindamycin showed the best results in the percent reduction in both lesion and inflamed lesion count. Phase III study is envisaged to initiate later this year.

Near term products also included Trazodone® which is used for anti-depression, and Apremilast which is used for Psoriasis and Psoriatic Arthritis.

In November 2017, the Group has acquired majority of shares in Windtree Therapeutics, Inc. (OTCQB: WINT) at a consideration of US\$10 million, in which the major assets included certain products such as aerosolized KL4 surfactant therapies for respiratory diseases with near term potential. The transaction is expected to strengthen the Group's position in critical neonatal care, with the potential to expand also its acute pulmonary care portfolio. The investment marks an important milestone in the Group's development. The US biotech industry leads the world in innovation and cutting-edge technology.

The direct participation into a US biotech company provides the Group professional managerial experiences and new prospective in new drug development, serving as springboard to launch the Group into the forefront of new drug development.



Human resources are valuable assets to the Group and are always the important parts in its strategic planning process. As a result, the Group has appointed a new group director of human resources and development to support the Group's strategic planning, optimise various welfare and remuneration structure and system.

Overall, the Group will continue to commit in these new drugs development to facilitate sustainable growth in the future.

PROSPECT

In view of the continual improvements to the rules and regulations of drug development in China, the Group remains cautiously optimistic about the medium and long term future of the industry and its prospect. The new products in the pipeline are assessed as having better market potential than the products currently selling, and thus the Group firmly believes that these potential new products will become the important thrusts for future revenue growth. As always, the Group will continue to commit higher percentage of total revenue to science-based innovation, leverage on its solid foundation of business operations and financial position, and to enhance shareholders' value and to provide the best return for the shareholders.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the three months and nine months ended 30 September 2017*

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	(3)	275,010	248,924	749,760	698,653
Cost of sales		(90,235)	(79,441)	(246,028)	(201,419)
Gross profit		184,775	169,483	503,732	497,234
Other income	(4)	7,198	32,442	17,661	68,383
Gain on deemed disposal of a subsidiary		–	–	58,066	–
Impairment of intangible assets		(82)	(11,215)	(50,705)	(22,644)
Selling and distribution expenses		(58,723)	(52,504)	(153,139)	(162,947)
Administrative expenses		(33,186)	(38,526)	(114,457)	(107,155)
Research and development expenses		(20,421)	(15,530)	(57,414)	(48,159)
Profit from operations		79,561	84,150	203,744	224,712
Finance costs		(826)	(1,063)	(3,353)	(2,754)
Share of results of associates		(5,495)	(2,520)	(10,936)	(7,300)
Profit before taxation		73,240	80,567	189,455	214,658
Taxation	(5)	(14,494)	(13,694)	(33,717)	(34,954)
Profit for the period		58,746	66,873	155,738	179,704
Attributable to:					
Owners of the Company		61,824	72,811	186,894	194,229
Non-controlling interests		(3,078)	(5,938)	(31,156)	(14,525)
		58,746	66,873	155,738	179,704
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share					
Basic	(7)	10.47	12.35	31.66	33.00
Diluted	(7)	10.45	12.31	31.56	32.84

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2017

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit for the period	58,746	66,873	155,738	179,704
Other comprehensive income (expense):				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas subsidiaries	16,859	3,282	54,879	(8,998)
Fair value changes of available-for-sale financial assets	(2,176)	6,637	(22,064)	(3,009)
Reclassification of other reserves upon deemed disposal of a subsidiary	–	–	(19,576)	–
Reclassification of exchange differences upon deemed disposal of a subsidiary	–	–	(94)	–
Share of associate's exchange reserve	(70)	–	(134)	–
Other comprehensive income (expense) for the period, net of tax	14,613	9,919	13,011	(12,007)
Total comprehensive income for the period	73,359	76,792	168,749	167,697
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	76,437	82,391	199,027	181,593
Non-controlling interests	(3,078)	(5,599)	(30,278)	(13,896)
	73,359	76,792	168,749	167,697

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months ended 30 September 2017*

	Attributable to the owners of the Company										
	Share capital	Share premium	Merger difference	Share-based compensation reserve	Other reserves	Investments revaluation reserve	Exchange reserve	Retained profits	Sub-total	Attributable to non-controlling interests	
										Total	
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
At 1 January 2017 (audited)	29,503	721,154	9,200	11,671	59,512	(12,716)	(96,842)	880,244	1,601,726	32,990	1,634,716
Employee share option benefits	-	-	-	3,233	-	-	-	-	3,233	-	3,233
Exercise of share options	44	3,714	-	(767)	-	-	-	-	2,991	-	2,991
Share of share-based compensation reserve of a subsidiary	-	-	-	17	-	-	-	-	17	13	30
Share of reserve of associate	-	-	-	-	43	-	-	-	43	-	43
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(12,577)	(12,577)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,564	1,564
Profit (loss) for the period	-	-	-	-	-	-	-	186,894	186,894	(31,156)	155,738
Other comprehensive (expense) income for the period											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	54,001	-	54,001	878	54,879
- Fair value changes of available-for-sale financial assets	-	-	-	-	-	(22,064)	-	-	(22,064)	-	(22,064)
- Reclassification of other reserves upon deemed disposal of a subsidiary	-	-	-	-	(19,576)	-	-	-	(19,576)	-	(19,576)
- Reclassification of exchange differences upon deemed disposal of a subsidiary	-	-	-	-	-	-	(94)	-	(94)	-	(94)
- Share of associate's exchange reserve	-	-	-	-	(134)	-	-	-	(134)	-	(134)
Total comprehensive income (expense) for the period	-	-	-	-	(19,710)	(22,064)	53,907	186,894	199,027	(30,278)	168,749
2016 final dividend paid	-	-	-	-	-	-	-	(46,635)	(46,635)	-	(46,635)
2017 interim dividend paid	-	-	-	-	-	-	-	(20,092)	(20,092)	-	(20,092)
At 30 September 2017 (unaudited)	29,547	724,868	9,200	14,154	39,845	(34,780)	(42,935)	1,000,411	1,740,310	(8,288)	1,732,022

Attributable to the owners of the Company

	Share-based								Attributable to non-		
	Share capital	Share premium	Merger difference	Share-based compensation reserve	Other reserves	Investments revaluation reserve	Exchange reserve	Retained profits	Sub-controlling total	controlling interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2016 (audited)	29,340	717,925	9,200	8,718	59,344	(899)	(47,540)	691,350	1,467,438	49,390	1,516,828
Employee share option benefits	-	-	-	2,900	-	-	-	-	2,900	-	2,900
Exercise of share options	150	1,709	-	(708)	-	-	-	-	1,151	-	1,151
Share of share-based compensation reserve of a subsidiary	-	-	-	17	-	-	-	-	17	13	30
Share of reserve of associate	-	-	-	-	44	-	-	-	44	-	44
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,563	1,563
Profit (loss) for the period	-	-	-	-	-	-	-	194,229	194,229	(14,525)	179,704
Other comprehensive (expense) income for the period											
- Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(9,627)	-	(9,627)	629	(8,998)
- Fair value changes of available-for-sale financial assets	-	-	-	-	-	(3,009)	-	-	(3,009)	-	(3,009)
Total comprehensive income (expense) for the period	-	-	-	-	-	(3,009)	(9,627)	194,229	181,593	(13,896)	167,697
2015 final dividend paid	-	-	-	-	-	-	-	(43,645)	(43,645)	-	(43,645)
2016 interim dividend paid	-	-	-	-	-	-	-	(19,463)	(19,463)	-	(19,463)
At 30 September 2016 (unaudited)	29,490	719,634	9,200	10,927	59,388	(3,908)	(57,167)	822,471	1,590,035	37,070	1,627,105

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

1. BASIS OF PREPARATION

The unaudited condensed consolidated results have been prepared in accordance with Hong Kong Accounting Standards (“**HKASs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated results have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as appropriate.

The unaudited condensed consolidated results do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated results for the nine months ended 30 September 2017 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2016 except as described below.

In the current interim period, the Group has applied for the first time, the following new amendments to HKASs and Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA that are relevant for the preparation of the Group’s unaudited condensed consolidated results:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Loss
Amendments to HKFRSs	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle relating to Amendments to HKFRS 12 Disclosure of Interests in Other Entities

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

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014-2016 Cycle except amendments to HKFRS 12 ¹

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

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

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

The Group has already commenced an assessment of the impact of these new and revised HKASs and HKFRSs but is not yet in a position to state whether these new and revised HKASs and HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

The principal activities of the Group are the development of, manufacturing of and sales and marketing of pharmaceutical products. During the period, revenue represents the net amount received and receivable for goods sold by the Group to outside customers and recognised as follows:

Business segments

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Proprietary products	122,760	113,034	344,385	331,013
Licensed-in products	152,250	135,890	405,375	367,640
	275,010	248,924	749,760	698,653

Geographical segments

During the nine months ended 30 September 2017 and 2016, more than 90% of the Group's revenue was derived from activities conducted in the People's Republic of China (the "PRC"), no geographical segmental information is presented.

4. OTHER INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest income on:				
Bank deposits	2,116	465	3,646	981
Held-to-maturity financial assets	42	42	125	126
Advance to an associate	200	200	601	617
Total interest income	2,358	707	4,372	1,724
Sales of research materials	–	–	1,862	–
Development grants	4,350	2,181	5,719	8,442
Development milestone income	–	–	–	4,501
Development upfront income	–	29,260	115	29,260
Compensation on termination of product license	–	–	2,815	23,769
Sundry income	490	294	2,778	687
	7,198	32,442	17,661	68,383

5. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current tax				
Hong Kong Profits Tax	2,530	(10,231)	3,530	26,416
PRC Enterprise Income Tax	8,407	8,112	19,421	16,425
	10,937	(2,119)	22,951	42,841
(Over) under provision in prior years				
Hong Kong Profits Tax	(5)	139	(9)	–
PRC Enterprise Income Tax	(932)	1	(1,088)	76
	(937)	140	(1,097)	76
Deferred tax				
Origination and reversal of temporary differences	4,494	15,673	11,863	(7,963)
	14,494	13,694	33,717	34,954

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. Tax arising in the PRC is calculated at the rates of tax prevailing in the PRC. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDEND

An interim dividend of HK\$0.034 (2016: HK\$0.033) per share, totalling HK\$20,092,000 for the six months ended 30 June 2017 (2016: HK\$19,463,000) was declared on 14 September 2017 and paid on 27 September 2017.

The Board does not recommend the payment of other interim dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: nil).

7. EARNINGS PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<i>Earnings:</i>				
Net profit attributable to the owners of the Company for the purpose of basic and diluted earnings per share	61,824	72,811	186,894	194,229

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 Share(s)'000 (unaudited)	2016 Share(s)'000 (unaudited)	2017 Share(s)'000 (unaudited)	2016 Share(s)'000 (unaudited)
<i>Number of shares:</i>				
Weighted average number of ordinary shares for the purpose of basic earning per share	590,694	589,795	590,357	588,598
Effect of dilutive potential ordinary shares:				
Options	1,060	1,790	1,846	2,888
Weighted average number of ordinary shares for the purpose of diluted earnings per share	591,754	591,585	592,203	591,486

8. RELATED PARTY TRANSACTIONS

During the reporting period, the Group entered into the following transactions with related parties. In the opinion of the directors, the following transactions arose in the ordinary course of the Group's business.

(a) Interest income from shareholder loans to Powder Pharmaceuticals Incorporated ("PPI")

During the nine months ended 30 September 2017, the Group received approximate HK\$601,000 (nine months ended 30 September 2016: HK\$617,000) interest income from loans to PPI, an associated company of the Group.

(b) Compensation of key management personnel

The remuneration of directors and other members of key managements during the period was as follow:

	For the nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term employee benefits	23,007	14,050
Share-based payments	1,304	845
Retirement and other post-employment benefits		
– Defined contribution plan	40	40
– Retirement benefits	7,650	5,405
	32,001	20,340

(c) Issue of subsidiary's shares to Perfect Concept Holdings Limited (the "Perfect Concept")

During the period under review, China Oncology Focus Limited, on a pro rata basis, issued 2,800 shares to Perfect Concept. Dr. Li Xiaoyi, Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee, directors of the Company, are the majority of the beneficial owners of Perfect Concept and Perfect Concept is considered as a related party to the Group. Total consideration received for the issue of shares is US\$201,600 (approximately HK\$1,563,000).

(d) Donation to Lee's Pharmaceutical – Kanya Lee Scholarship Limited (the "Kanya Lee Scholarship")

During the nine months ended 30 September 2017, total HK\$1,250,000 (nine months ended 30 September 2016: HK\$250,000) was donated to Kanya Lee Scholarship. Dr Li Xiaoyi, director of the Company, is also a member of key management of Kanya Lee Scholarship and Kanya Lee Scholarship is considered as a related party of the Group.

9. CAPITAL COMMITMENTS

	30 September 2017	31 December 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Capital commitments in respect of:		
Investments in available-for-sale financial assets	16,552	15,760
Intangible assets – license fee and development cost	61,921	89,763
Property, plant and equipment	12,358	23,370
Construction contract	29,461	41,649
	120,292	170,542
Authorised but not contracted for:		
Intangible assets – license fee and development cost	34,032	21,890

10. SUBSEQUENT EVENT REVIEW

In November 2017, the Group acquired about 73% common stocks in Windtree Therapeutics, Inc. (OTCQB: WINT) at a consideration of US\$10 million (approximately HK\$78 million). Windtree Therapeutics, Inc. is a biotechnology company focused on developing aerosolized KL4 surfactant therapies for respiratory diseases.

DIVIDEND

The Board does not recommend payment of dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: nil).

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 nine months ended 30 September 2017.

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

Hong Kong, 23 November 2017

