



**VENTUREPHARM LABORATORIES LIMITED**

**萬 全 科 技 藥 業 有 限 公 司 \***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 8225)

FIRST QUARTERLY REPORT 2010

FIRST QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED 31 MARCH 2010

*Characteristics of the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)*

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

*Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.*

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*This report, for which the directors (the “Directors”) of Venturepharm Laboratories Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*\*for identification only*



# VENTUREPHARM LABORATORIES LIMITED

萬全科技藥業有限公司 \*

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The Directors are pleased to announce the unaudited first quarter results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2010, together with the comparative figures.

## FINANCIAL HIGHLIGHTS

1. The Group achieved a turnover of RMB 12,825,000 for the three months ended 31 March 2010 representing an increase of approximately 9.2% compared with that of the corresponding period in 2009
2. The Group accomplished an operating profit of RMB 2,003,000.
3. Basic earnings per share amounted to RMB0.29 cent for the three months ended 31 March 2010.
4. The Directors do not recommend payment of any interim dividend for the three months ended 31 March 2010.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Three months ended 31 March	
		2010	2009
		RMB'000	RMB'000
	Notes		
Turnover	3	12,825	11,744
Cost of sales		<u>(7,620)</u>	<u>(7,189)</u>
Gross profit		5,205	4,555
Administrative expenses	4	<u>(3,202)</u>	<u>(3,000)</u>
Profit from operations		2,003	1,555
Other revenue		(41)	6,978
Finance costs		<u>(761)</u>	<u>(781)</u>
<b>PROFIT BEFORE TAXATION</b>			
		1,201	7,752
Income tax		<u>(157)</u>	<u>(62)</u>
Profit for the year		<u>1,044</u>	<u>7,690</u>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		1,146	7,808
Minority interests		<u>(102)</u>	<u>(118)</u>
		<u>1,044</u>	<u>7,690</u>
Earnings per share (cent)	6		
- basic		0.29	2.15
- diluted		0.29	1.83

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share- Based Share capital RMB'000	Share- Payment reserve RMB'000	Available- for-sales Financial Assets reserve RMB'000	Special Reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Statutory enterprise fund expansion RMB'000	Retained earnings RMB'000	Minority interest RMB'000	Total RMB'000
At 1										
January										
2009	38,407	2,766		6,039	1,186	3,803	6,986	45,549	1,620	106,356
Profit for										
the										
period								7,808	(118)	7,690
At 31										
March										
2009	<u>38,407</u>	<u>2,766</u>		<u>6,039</u>	<u>1,186</u>	<u>3,803</u>	<u>6,986</u>	<u>53,357</u>	<u>1,502</u>	<u>114,046</u>
At 1										
January										
2010	38,469	2,946		6,039	1,459	3,803	6,986	51,825	1,377	112,904
Issue of										
new										
shares										
by the										
Compan										
y										
Reversal										
of share										
based										
payment										
reserve		-	-	-		-	-	-	-	
Profit for										
the										
period	-	-	-	-	-	-	-	1,146	(102)	1,044
At 31										
March										
2009	<u>38,469</u>	<u>2,946</u>	<u>-</u>	<u>6,039</u>	<u>1,459</u>	<u>3,803</u>	<u>6,986</u>	<u>52,971</u>	<u>1,275</u>	<u>113,948</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Group reorganization**

The Company was incorporated in the Cayman Islands on 21 May 2002 as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands. Its shares have been listed on the GEM of the Stock Exchange since 10 July 2003 (the "Listing Date").

Pursuant to a group reorganization to rationalize the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 31 March 2003 (the "Group Reorganization").

### **2. Accounting policies and basis of preparation**

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) HKAS 34 Interim Financial Reporting. In addition, the financial statements comply with the applicable disclosure provisions of Rule 18, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2008.

The accounts have been prepared on a consolidated basis and include the financial statements of the Company and its subsidiaries made up to 31 March 2010. The measurement basis used in the preparation of the financial statements is historical cost as modified by the revaluation of certain financial assets and liabilities at fair value.

### 3. Turnover and revenue

The Group is principally engaged in the research, development and commercialization of drug products. Entering into 2010, the Group adjusted its strategy in face of the booming of international outsourcing market. Revenues recognized during the periods were as follows:

#### Breakdown of the revenue from all services is as follows:

	2010 RMB'000	Growth %	% of total	2009 RMB'000
<b>Analysis of revenue by category</b>				
-Transfer of technology for new drug and new drug development	100	-72.2%	0.8%	360
-Contracted pharmaceutical development and clinical research services associated with technology transfer	3,300	10.7%	25.7%	2,980
-Contracted pharmaceutical development and clinical research services outsourced by customers	7,780	8.8%	60.7%	7,105
-Import registration services	275	—	2.1%	—
-Royalty income	1,200	-6.7%	9.4%	1,287
-Sales of active pharmaceutical ingredients products	170	1417.7%	1.3%	<u>12</u>
	<u>12,825</u>	9.2%	100%	<u>11,744</u>

### 4. Administrative expenses

	<b>Unaudited three months ended 31 March 2010</b>	
	<b>2010</b>	<b>2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Administrative expenses	<b>3,202</b>	<b>3,000</b>

### 5. Dividends

The board does not recommend the payment of any interim dividend for the three months ended 31 March 2010. (2009: Nil)

## 6. Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the three months ended 31 March 2010 is based on the unaudited net profit of approximately RMB 1,146,000 (2009: approximately RMB7,808,000), and the weighted average number of approximately 363,511,664 ordinary shares in issue during the period (2009: 362,806,664 ), no new share issued during the period .

## 7. Segment information

No geographical segment analysis is presented as all assets and operations of the Group for the periods are located in the PRC.

No business segment analysis is presented as the operations of the Group for the periods are principally related to pharmaceutical research and development, registration, application and testing.

# MANAGEMENT DISCUSSION AND ANALYSIS

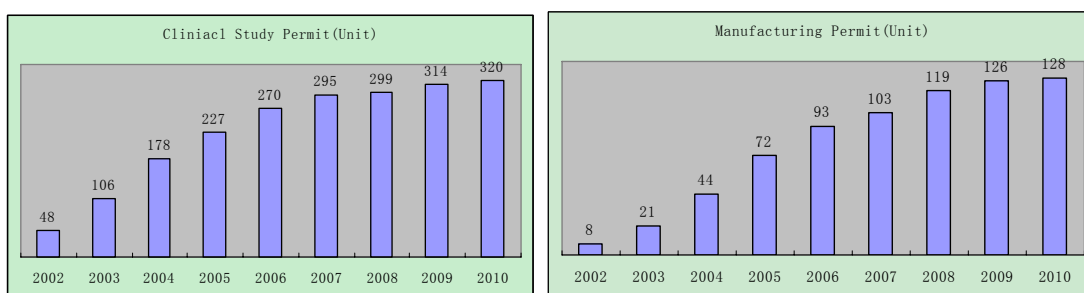
## FINANCIAL REVIEW

The Group achieved a turnover of RMB 12,825,000 for the three months ended 31 March 2010, representing an increase of approximately 9.2% compared with that of the corresponding period in 2009, accomplished operating profit of RMB 2,003,000 for the three months ended 31 March 2010, increase of approximately 29% compared with the corresponding period in 2009. The main contributions of the operation profit are: (1) the increase of turnover of approximately 9.2% compared with that of the corresponding period in 2009, major contribution from Contracted pharmaceutical development and clinical research services outsourced by customers and Import registration services; (2) the cost of sale increased less than the growth of turnover from RMB7,189,000 to RMB7,620,000, and increased 6%; (3) well controlled of administrative expense, the decrease of general and administrative expenses dropped from 25.5% to 24.9% by 2010..

## BUSINESS HIGHLIGHTS

The Group has initiated 17 new projects in the past three months of 2010, and till now has 230 products under development. During the period, SFDA has granted 6 new Clinical Study Approval (“CA”) and 2 new Manufacturing Approval (“MP”) to the Group. The total number of CAs has reached 320 and the total number of MAs has climbed up to 128 and the Group had submitted 315 patent applications.

The following graph sets out the total number of CAs and MAs obtained during the past years:





## **Sales and Marketing**

During the three months ended 31 March 2010, the Group successfully signed 6 PDS and VPS contracts amounting to total value of RMB7,500,000.

## **Patents**

The Group continued to place great emphasis on the protection of intellectual property rights during the reporting period. Up to 31 March 2010, the Group had submitted 315 patent applications.

## **PROSPECTS**

To capitalize on the opportunity of the increased demand of global R&D outsourcing market, the company has made best efforts to improve its service capacities and performance in R&D outsourcing service by providing fully integrated pharmaceutical services that include drug discovery, API (Active Pharmaceutical Ingredient), PDS (Pharmaceutical Development Service), Rre-clinical research, CRS (Contract Research Service), RAS (Regulatory Affairs Service), CMS (Contract Manufacturing Service) and CSS (Contract Sales Service). In the meantime, the Group believes that as the government further standardizes and implements its supervision, the market environment will become more favorable to the Group given its competitive edge. Meanwhile, the investment from Chinese government into the scientific research of biologic and pharmaceutical technology, will stimulate greatly to the R&D service market. The upcoming new booming age of the pharmaceutical industry will not only present the Group with rare and precious business opportunities, but also considerable return for the shareholders.

## **DIVIDEND**

The Directors have not recommended payment of any interim dividend for the three months ended 31 March 2010.

## **SIGNIFICANT INVESTMENTS**

The Company invested its surplus fund through its principal bank in investment market funds, which was RMB58,465,000 as at 31 March 2010.

## **CONTINGENT LIABILITIES**

As at 31 March 2010, the Group did not have any contingent liabilities.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Other than those disclosed in the Company's public announcements, the Group does not have any other plans for material investments or capital assets.

## **CAPITAL STRUCTURE**

There has not been any significant change to the capital structure of the Company since that date.

## **FOREIGN EXCHANGE EXPOSURE**

During the period under review, the Group's transactions were substantially denominated in Renminbi ("RMB"). In view of the RMB appreciation trend, the Group engaged in risk-free value-added banking activities in due course and transferred its USD-denominated businesses to RMB-denominated businesses according to the relevant business scale. The Group closely monitors its foreign currency risk from time to time and will use appropriate hedging when necessary.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the three months ended 31 March 2010,.

## **COMPETING INTERESTS**

As at 31 March 2010, none of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

## **CORPORATE GOVERNANCE**

### **(1) Corporate governance practices**

The Company applied the principles and fully complied with the Code Provision as set out in Appendix 15 of the GEM Listing Rules ("CG Code") with certain deviations save as disclosed in respect of the roles of chairman and chief executive officer.

### **(2) Directors' securities transactions**

The Company has adopted the Company Code for Securities Transactions by Directors of Listed Issuers in compliance with the provisions that are set out in the GEM Listing Rules as its own code of conduct for Directors' dealings of securities since 29 June 2005. Specific enquiries have been made with all Directors and the Directors confirmed that they have complied with the required standard set out in the Company Code in the period from 1 January 2010 to 31 March 2010.

### **(3) Chairman and chief executive officer**

Chairman of the Board is responsible for the leadership and effective running of the Board, and ensures that all keys and appropriate issues are discussed by the Board in a timely and constructive manner.

However, the Chief Executive of the Company has not yet been appointed. Currently, the day-to-day management of the Company's business is handled by the executive directors and senior management, who take the responsibility to run the Group's business and to implement the Group's strategy so as to achieve the overall commercial objectives of the Company.

**(4) Board practice and procedures**

During the period from the date of listing to 31 March 2010, the Company has been in compliance with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules

**(5) Audit committee**

The audit committee was established with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, half-yearly reports and quarterly reports and internal control system of the Group and provide advice and comments to the Board. The audit committee has three members comprising the three Independent Non-executive Directors, Mr. WANG Hong Bo, Mr. Paul CONTOMICHALOS and Mr. WU Ming Yu. Mr. WANG Hong Bo is the chairman of the audit committee. The company's financial statements for the three months ended 31 March 2010 have been reviewed by the audit committee.

**(6) Directors' Acknowledgement of Their Responsibility for the Financial Statements**

The Directors acknowledge that they take full responsibility in the preparation of the financial statements.

**By Order of the Board**

**William Xia Guo**

**Chairman**

Beijing, PRC, 12 May 2010

*Executive Directors:*

William Xia GUO

Maria Xuemei SONG

*Non-Executive Directors:*

FENG Tao

WU Xin

Nathan Xin ZHANG

*Independent Non-Executive Directors:*

WANG Hong Bo

Paul CONTOMICHALOS

WU Ming Yu

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the day of its posting.*