



VENTUREPHARM LABORATORIES LIMITED

萬 全 科 技 藥 業 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8225)

**3rd Quarterly REPORT 2010
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

**for identification only*

3rd Quarterly REPORT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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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.



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The Directors are pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the nine months ended 30 September 2010, together with the comparative figures.

HIGHLIGHTS

1. The Group achieved a turnover of RMB 37,405,000 for the nine months ended 30 September 2010 representing a decrease of approximately 6% compared with that of the corresponding period in 2009 (incl. 1% increase of Contracted pharmaceutical development and clinical research services outsourced by customers). The Group accomplished total revenue of RMB 44,453,000 representing a decrease of approximately 8% compared with that of the corresponding period in 2009.
2. The Group achieved profit from operations of RMB 5,152,000 for the nine months ended 30 September 2010 representing a decrease of approximately 34% compared with that of the corresponding period in 2009.
3. The Group has got 12 new Clinical Study Approval and 3 new Manufacturing Approval by SFDA granted in the past nine months of 2010. The total number of Clinical Study Approval has reached 326 and the total number of Manufacturing Approvals has climbed up to 131, also the Group had submitted 326 patent applications, among which 53 has gain authorized.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited		Unaudited	
		Three months ended 30 September		Nine months ended 30 September	
		2010	2009	2010	2009
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	11,615	20,518	37,405	39,967
Cost of sales		(6,697)	(12,291)	(22,360)	(23,648)
Gross profit		4,918	8,227	15,045	16,319
Administrative expenses	4	(2,522)	(2,540)	(9,893)	(8,532)
Profit from operations		2,396	5,687	5,152	7,787
Other income		3,868	2,194	7,048	8,606
Finance costs		(8,532)	(5,397)	(7,103)	(4,028)
Profit before taxation		(2,268)	2,485	5,097	12,365
Income tax	6	(9)	(64)	(9)	127
Profit for the year		(2,277)	2,421	5,088	12,492
Attributable to :					
Equity holders of the Company		(2,261)	2,664	5,059	12,812
Minority interests		(16)	(244)	29	(320)
Profit for the year		(2,277)	2,421	5,088	12,492
Earnings per share (cent)	5				
- basic		(0.62)	0.67	1.39	3.45
- diluted		(0.62)	0.65	1.39	2.83

CONSOLIDATED BALANCE SHEET

	Unaudited	Audited
	30 September 2010	31 December 2009
Notes	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	8,559	9,668
Deferred tax assets	7,720	7,720
New drugs technology	8,912	9,374
	25,191	26,762
Current assets		
Work-in-progress	49,181	60,650
Trade receivables	33,535	15,223
Other receivables, deposits and prepayments	35,156	34,998
Financial assets at fair value through profit or loss	64,584	58,465
Cash and cash equivalents	2,084	14,087
	184,540	183,423
Current liabilities		
Trade and other payables	7,951	13,368
Receipt in advance	678	3,582
Income tax liabilities	1,813	1,998
	10,442	18,948
Net current assets	174,098	164,475
Total assets less current liabilities	199,289	191,237
Non-current liabilities	81,297	78,333
Net assets	117,992	112,904
Capital and reserves		
Share capital	38,469	38,469
Reserves	77,932	73,058
Total equity attributable to equity shareholders of the Company	116,401	111,527
Minority interests	1,591	1,377
Total equity	117,992	112,904

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited nine months ended 30 September	
	2010	2009
	RMB'000	RMB'000
Net cash used in operating activities	(12,544) *	1,348
Net cash used in investing activities	3,108	2,404
Net cash generated from financing activities	(2,567)	(5,755)
Net decrease in cash and cash equivalents	(12,003)	(2,003)
Cash and cash equivalents at beginning of the period	<u>14,087</u>	<u>6,531</u>
Cash and cash equivalents at end of the period	<u><u>2,084</u></u>	<u><u>4,528</u></u>

* The decrease of Net cash used in operating activities compared with that of the corresponding period in 2009 is reasoned by prepayment of RMB 8,400,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share- Based Share capital	Share- Payment reserve	Available- for-sales Financial Assets reserve	Special Reserve	Capital reserve	Statutory reserve	Statutory enterprise fund expansion	Retained earnings	Minority interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	38,407	2,766		6,039	1,186	3,803	6,986	45,549	1,620	106,356
New issue of shares										
Profit for the period								12,812	-320	12,492
At 30 September										
2009	38,407	2,766		6,039	1,186	3,803	6,986	58,361	1,300	118,848
Profit for the period	62	180			273			-6,536	77	-5,944
At 1 January 2010	38,469	2,946	-	6,039	1,459	3,803	6,986	51,825	1,377	112,904
Profit for the period	-	-	-	-	-	-	-	5,059	29	5,088
At 30 September										
2010	38,469	2,946	-	6,039	1,459	3,803	6,986	56,884	1,406	117,992

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 Mar 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 2009.

The accounts have been prepared on a consolidated basis and include the financial statements of the Company and its subsidiaries made up to 30 September 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:

	Unaudited		Unaudited	
	three months ended		nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
-Transfer of technology for new drug and new drug development	-		301	
-Contracted pharmaceutical development and clinical research services associated with technology transfer	1,557	5,141*	8,293	12,408*
-Contracted pharmaceutical development and clinical research services outsourced by customers	8,924	13,208	22,320	22,179
-Import registration services	36	618	675	618
-Royalty income	1,000	1,520	5,400	4,124
-Sales of active pharmaceutical ingredients roducts	99	31	416	638
	11,616	20,518	37,405	39,967

* In the interim report of 2009, 'Transfer of technology for new drug and new drug development' and 'Contracted pharmaceutical development and clinical research services associated with technology transfer' were disclosure combined.

4. Administrative expenses

	Unaudited Three months		Unaudited Nine months	
	ended 30 September		ended 30 September	
	2010	2009	2010	2009
Notes	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	2,522	2,540	9,893	8,532

5. Earnings per share

The calculation of basic earnings per share for the three and nine months ended 30 September 2010 is based on the unaudited net profit of approximately RMB-2,277,000 and RMB5,088,000 respectively (2009: approximately RMB2,421,000 and RMB12,492,000 respectively), and the weighted average number of approximately 363,511,664 ordinary shares in issue during the period (2009: 361,735,000) .

The calculation of the diluted earnings per share for the three months and nine months ended 30 September 2010 is based on the unaudited net profit of approximately RMB-2,277,000 and RMB5,088,000 respectively (2009: approximately RMB2,421,000 and RMB12,492,000 respectively), and the weighted average number of approximately 363,511,664 ordinary shares in issue during the period (2009: approximately 441,402,000) (after adjusting for the effect of the outstanding dilutive options under the share option schemes of the Company).

6. Income tax

	Unaudited Three		Unaudited Nine	
	months		months	
	ended 30 September		ended 30 September	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Company and subsidiaries				
PRC income tax	9	0	9	0
	9	0	9	0

No Hong Kong Profits tax has been provided for, as the Group had no estimated assessable profits in Hong Kong for the nine months ended 30 September 2010 (2009 nil). The Company's subsidiaries are subject to PRC income tax on their assessable profits.

7. Dividends

The board does not recommend the payment of any interim dividend for the three months ended 30 September 2010. (2009: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

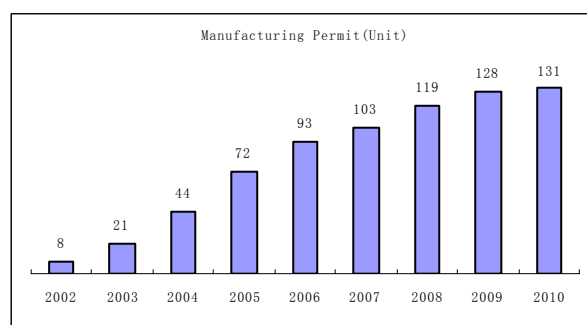
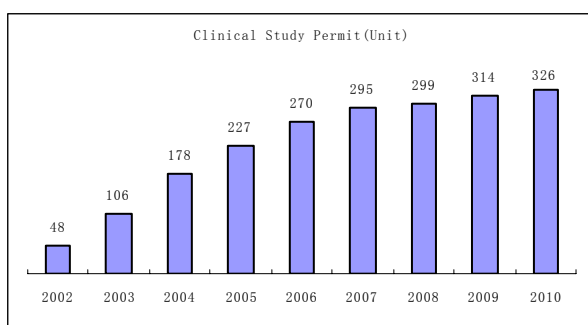
FINANCIAL REVIEW

The Group achieved a turnover of RMB 37,405,000 for the nine months ended 30 September 2010, representing a decrease of approximately 6% compared with that of the corresponding period in 2009.

BUSINESS HIGHLIGHTS

The Group has initiated 43 new projects in the past nine months of 2010, and till now has 200 products under development. During the period, SFDA has granted 12 new Clinical Study Approval (“CA”) and 3 new Manufacturing Approval (“MA”) to the Group. The total number of CAs has reached 326 and the total number of MAs has climbed up to 131 and the Group had submitted 326 patent applications, among which 53 has gain authorized.

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



PROSPECTS

The company has accomplished operating profit of RMB 5,152,000 for the nine months ended 30 September 2010. The main contributions of the operation profit are: (1) the decrease of turnover of approximately 6% compared with that of the corresponding period in 2009, major contribution is contracted pharmaceutical development and transfer of technology for new drug and new drug development which has a decrease of 31% in 2010. (2) In such a critical environment of drug industry, the Group has gained 12 new Clinical Study Approvals and 3 new Manufacturing Approvals, which will be very important to the future development of the Group. (3) To capitalize on the superiority of our R&D capacity, the Group increases investment in drug development, Four subsidiaries were identified as high-tech enterprise till now.

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), Pre-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.

SIGNIFICANT INVESTMENTS

The Company invested its surplus fund through its principal bank in investment market funds, which was RMB 64,584,056 as at 30 September 2010.

CONTINGENT LIABILITIES

As at 30 September 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 30 September 2010,.

COMPETING INTERESTS

As at 30 September 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 September 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 30 September 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 30 September 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 nine months ended 30 September 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 November, 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.