



**VENTUREPHARM LABORATORIES LIMITED**

**萬 全 科 技 藥 業 有 限 公 司 \***

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

(Stock code: 8225)

**THIRD QUARTERLY REPORT 2011**

**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

*\*for identification only*

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FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

*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.*



# VENTUREPHARM LABORATORIES LIMITED

## 萬全科技藥業有限公司

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

(Stock code: 8225)

The Directors are pleased to announce the unaudited quarterly results of the Company and its subsidiaries (the "Group") for the nine months ended 30 September 2011, together with the comparative figures.

### HIGHLIGHTS

1. The Group achieved a turnover of RMB 33,470,000 for the nine months ended 30 September 2011 representing a decrease of approximately 11% compared with that of the corresponding period in 2010. All income except royalty income increased and total Income except royalty income increased 5% compared with that of the corresponding period in 2010.
2. Due to the efficient cost control, the Group achieved profit from operations of RMB 7,229,000 for the nine months ended 30 September 2011, representing an increase of approximately 40% compared with that of the corresponding period in 2010.
3. Basic earnings per share amounted to RMB1.40 cent for the nine months ended 30 September 2011.
4. The Group has got 7 new Clinical Study Approval and 2 new Manufacturing Approval by SFDA granted in the past nine months of 2011. The total number of Clinical Study Approval has reached 334 and the total number of Manufacturing Approvals has climbed up to 134.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited		Unaudited	
		Three months ended 30 Sept.		Nine months ended 30 Sept.	
		2011	2010	2011	2010
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	9,457	11,615	33,470	37,405
Cost of sales		<b>(4,508)</b>	(6,697)	<b>(17,601)</b>	(22,360)
Gross profit		<b>4,949</b>	4,918	<b>15,869</b>	15,045
Administrative expenses	3	<b>(2,993)</b>	(2,522)	<b>(8,640)</b>	(9,893)
Profit from operations		<b>1,956</b>	2,396	<b>7,229</b>	5,152
Other income		<b>(288)</b>	3,868	<b>1,012</b>	7,048
Finance costs		<b>(243)</b>	(8,532)	<b>(2,670)</b>	(7,103)
Profit before taxation		<b>1,425</b>	(2,268)	<b>5,571</b>	5,097
Income tax	5	<b>639</b>	(9)	<b>(319)</b>	(9)
Profit for the year		<b>2,064</b>	(2,277)	<b>5,252</b>	5,088
Attributable to :					
Equity holders of the Company		<b>2,052</b>	(2,261)	<b>5,115</b>	5,059
Minority interests		<b>12</b>	(16)	<b>137</b>	29
Profit for the year		<b>2,064</b>	(2,277)	<b>5,252</b>	5,088
Earnings per share (cent)					
- basic	4	<b>0.56</b>	(0.62)	<b>1.40</b>	1.39
- diluted	4	<b>0.56</b>	(0.62)	<b>1.40</b>	1.39

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share-Based		Available-for-sales Financial			Statutory enterprise		Retained earnings	Minority interest	Total
	Share capital	Payment reserve	Assets reserve	Special Reserve	Capital reserve	Statutory reserve	fund expansion			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	38,469	2,946	0	6,039	1,459	3,803	6,986	51,825	1,377	112,904
New issue of shares										
Profit for the period	-	-	-	-	-	-	-	5,059	29	5,088
At 30 Sept. 2010	38,469	2,946	0	6,039	1,459	3,803	6,986	56,884	1,406	117,992
At 1 January 2011	38,469	3,627	0	6,039	1,459	3,803	6,986	(5,103)	1,045	56,325
New issue of shares										
Profit for the period	-	-	-	-	-	-	-	5,115	137	5,252
At 30 Sept. 2011	38,531	3,627	0	6,039	1,707	3,803	6,986	12	1,182	61,887

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. 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 2010.

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 2011. 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.

## 2. Turnover and revenue

The Group is principally engaged in the research, development and commercialization of drug products:

Breakdown of the revenue from all services is as follows:

	Unaudited three months ended 30 September		Unaudited nine months ended 30 September	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted clinical services outsourced by customers(VPS)	<b>8,204</b>	8,924	<b>22,992</b>	22,320
Contracted pharmaceutical development and services ( PDS )	<b>1,116</b>	1,557	<b>8,828</b>	8,594
Import registration services(IRS)	<b>0</b>	35	<b>1,000</b>	675
Royalty income	<b>0</b>	1,000	<b>0</b>	5,400
Sales of active pharmaceutical ingredients product(API)	<b>137</b>	99	<b>650</b>	416
	<b>9,457</b>	11,615	<b>33,470</b>	37,405

## 3. Administrative expenses

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2011	2010	2011	2010
	Notes RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	<b>2,993</b>	2,522	<b>8,640</b>	9,893

Administrative expenses decreased by 13% for the reason of strict cost control.

#### 4. Earnings per share

The calculation of basic earnings per share for the three and nine months ended 30 September 2011 is based on the unaudited net profit of approximately RMB2,052,000 and RMB5,115,000 respectively (2010: approximately RMB-2,261,000 and RMB5,059,000 respectively), and the weighted average number of approximately 364,243,264 ordinary shares in issue during the period (2010: 363,511,664) .

The calculation of the diluted earnings per share for the three months and nine months ended 30 September 2011 is based on the unaudited net profit of approximately RMB2,052,000 and RMB5,115,000 respectively (2010: approximately RMB-2,261,000 and RMB5,059,000 respectively), and the weighted average of approximately 364,243,264 shares (2010: approximately 363,511,664) (after adjusting for the effect of the outstanding dilutive options under the share option schemes of the Company).

#### 5. Income Taxes

No Hong Kong profit taxes has been provided for, as the Group had no estimated assessable profits in Hong Kong for the period(2010: Nil),

PRC enterprise income tax is calculated and paid at 25% according to Chinese laws and regulations (2010: 25%).

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese				
Income Tax	639	(9)	(319)	(9)

#### 6. Segment information

No geographical segment analysis is presented as 90% of assets and operations of the Group for the periods are located in the PRC.



## MANAGEMENT DISCUSSION AND ANALYSIS

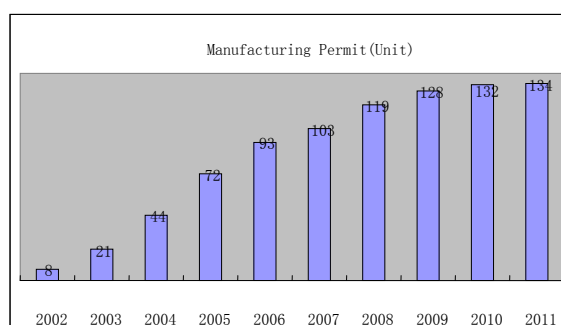
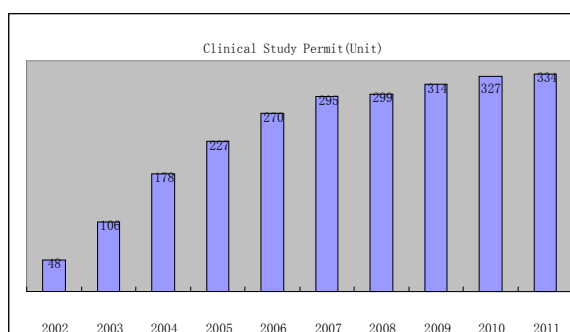
### FINANCIAL REVIEW

The Group has achieved a turnover of RMB33,470,000 for the nine months ended 30 September 2011, representing a decrease of approximately 11% compared with that of the corresponding period in 2010, of which, contracted clinical service (VPS) achieved RMB22,992,000, increasing by 3.0%, Contracted pharmaceutical development and service (PDS) achieved RMB8,828,000, increasing by 2.7%. Royalty income dropped to zero, whereas, the turnover of which during the corresponding period in 2010 is RMB5,400,000. Total Income except royalty income increased 5% compared with that of the corresponding period in 2010.

### BUSINESS HIGHLIGHTS

The Group has initiated 26 new projects in the past nine months of 2011, and till now has 148 products under development. During the period, SFDA has granted 7 new Clinical Study Approval (“CA”) and 2 new Manufacturing Approval (“MA”) to the Group, The total number of CAs has reached to 334 and the total number of MAs has climbed up to 134.

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



## **PROSPECTS**

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.

## **DIVIDEND**

The Directors have not recommended payment of any interim dividend for the nine months ended 30 September 2011.

## **SIGNIFICANT INVESTMENTS**

The Company invested its surplus fund through its principal bank in investment market funds, which was RMB 56,383,000 as at 30 September 2011.

## **CONTINGENT LIABILITIES**

As at 30 September 2011, 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 nine months ended 30 September 2011,.

## **COMPETING INTERESTS**

As at 30 September 2011, 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 2011 to 30 September 2011

### **(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 2011, 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 2011 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, 9 November 2011

*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