



**VENTUREPHARM LABORATORIES LIMITED**

**萬 全 科 技 藥 業 有 限 公 司 \***

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

(Stock code: 8225)

**INTERIM REPORT 2013  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

*\*for identification only*

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

***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 interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013, together with the comparative figures.

### HIGHLIGHTS

1. The Group achieved a turnover of RMB 11,205,000 for the six months ended 30 June 2013 representing a decrease of approximately 27% compared with that of the corresponding period in 2012.
2. Due to the revenue decrease , the Group suffered a loss from operations of RMB 4,182,000 for the six months ended 30 June 2013.
3. Basic losses per share amounted to RMB 1.15 cent for the six months ended 30 June 2013.
4. Directors do not recommend to do the payment of any interim dividends for the six months ended 30 June 2013.(2012: Nil)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2013	2012	2013	2012
Notes		RMB'000		RMB'000	
Turnover	2	1,827	7,362	11,205	15,402
Cost of sales		<u>-1,727</u>	<u>-3,588</u>	<u>-8,086</u>	<u>-8,046</u>
<b>Gross profit</b>		<b>100</b>	3,774	3,119	7,356
Administrative expenses	3	-2,790	-2,592	-6,320	-5,158
<b>Profit from operations</b>		<u>-2,690</u>	<u>1,182</u>	<u>-3,201</u>	<u>2,198</u>
Other income		113	151	200	572
Finance costs		<u>-2,468</u>	<u>-862</u>	<u>-1,181</u>	<u>-1,787</u>
<b>Profit before taxation</b>		<b>-5,045</b>	471	-4,182	983
Income tax	6	<u>0</u>	<u>-151</u>	<u>0</u>	<u>-151</u>
<b>Profit for the year</b>		<u><b>-5,045</b></u>	<u>320</u>	<u>-4,182</u>	<u>832</u>
Attributable to :					
Equity holders of the Company		-5,043	332	-4,166	842
Minority interests		<u>-2</u>	<u>-12</u>	<u>-16</u>	<u>-10</u>
Profit for the year		<u><b>-5,045</b></u>	<u>320</u>	<u>-4,182</u>	<u>832</u>
Earnings per share (cent)					
- basic	5	-1.38	0.09	-1.15	0.23
- diluted	5	-0.90	0.28	-0.51	0.61

## CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2013 RMB'000	Unaudited 30 June 2012 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		8,739	9,620
Deferred tax assets		-	
		<u>8,739</u>	<u>9,620</u>
<b>Current assets</b>			
Work-in-progress		17,901	14,860
Trade receivables		6,789	1,409
Other receivables, deposits and prepayments		14,379	9,975
Financial assets at fair value through profit or loss		1,620	1,415
Cash and cash equivalents		586	5,349
		<u>31,275</u>	<u>33,008</u>
<b>Current liabilities</b>			
Short term loan			
Trade and other payables		24,656	15,345
Receipt in advance		24,550	14,304
tax liabilities		(811)	
		<u>48,395</u>	<u>29,649</u>
<b>Net current assets</b>		<u>(17,120)</u>	<u>3,359</u>
<b>Total assets less current liabilities</b>		<u>(8,381)</u>	<u>12,979</u>
<b>Non-current liabilities</b>			
Convertible bond	7	89,405	108,898
<b>Net assets</b>		<u>(97,786)</u>	<u>(95,919)</u>
<b>Capital and reserves</b>			
Share capital		38,682	38,536
Reserves		(136,609)	(134,129)
Total equity attributable to equity shareholders of the Company		<u>(97,927)</u>	<u>(95,593)</u>
<b>Minority interests</b>		141	(326)
<b>Total equity</b>		<u>(97,786)</u>	<u>(95,919)</u>

## CONSOLIDATED CASH FLOW STATEMENT

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	Unaudited six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net cash used in operating activities	(2,071)	554
Net cash used in investing activities		(240)
Net cash generated from financing activities	(114)	(1,787)
Net decrease in cash and cash equivalents	(2,185)	(1,473)
Cash and cash equivalents at beginning of the period	<u>2,771</u>	<u>6,822</u>
Cash and cash equivalents at end of the period	<u><b>586</b></u>	<u><b>5,349</b></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share-based Payment		Available-for-sale Financial Assets		Special Reserve	Capital reserve	Statutory reserve	Statutory enterprise fund		Minority interest	Total
	Share capital	Payment reserve	Assets reserve	Special 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	RMB'000
At 1 January 2013	38,536	3,920	-	6,039	1,818	3,803	6,986	(157,537)	(316)	(96,752)	
New issue of shares	-	-	-	--	-	-	-	-	-	-	
Profit for the period	-	-	-	-	-	-	-	842	(10)	832	
At 30 June 2013	38,536	3,920	-	6,039	1,818	3,803	6,986	(156,696)	(326)	(95,920)	
At 1 January 2013	38,536	4,285	-	6,039	1,818	3,821	6,986	(157,829)	(157)	(94,187)	
New issue of shares	146	-	-	--	437	-	-	-	-	583	
Profit for the period	-	-	-	-	-	-	-	(4,166)	(16)	(4,182)	
At 30 June 2013	38,682	4,285	-	6,039	2,255	3,821	6,986	(159,995)	(141)	(97,786)	

## 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 2012.

The accounts have been prepared on a consolidated basis and include the financial statements of the Company and its subsidiaries made up to 30 June 2013. 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.

The directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

On 4 September 2012, the Convertible bond holders passed the Resolution to extend the maturity date of the convertible bond to 10 September 2015 and significantly reduced the current liabilities of the Group.

Meanwhile, considering the working capital and long term fund demand for future development, the Group will consider to raise funds through bank loans, issuance of new shares, convertible bonds, and issuance of new debts, etc.



## 2. Turnover and revenue

The Group is principally engaged in integrated services which including Clinical Research Service (VPS), Regulatory Affair Service(RAS) and Post Market Service (PMS).Breakdown of the revenue from all services is as follows:

	Unaudited		Unaudited	
	three months ended		six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted clinical services outsourced by customers(VPS)	1,471	4,652	10,849	9,231
Other medical service		2,710		5,830
Regulatory Affair Service(RAS)	356	1,513	356	341
	<u>1,827</u>	<u>9,513</u>	<u>11,205</u>	<u>15,402</u>

## 3. Administrative expenses

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	Notes	RMB'000	RMB'000	RMB'000
Administrative expenses	<u>2,790</u>	<u>2,592</u>	<u>6,320</u>	<u>5,158</u>

Administrative expenses increased by 23% compared with that of the corresponding period in 2012.

## 4. Dividends

The board does not recommend the payment of any interim dividend for the six months ended 30 JUNE 2013 (2012: Nil)

## 5. Earnings per share

Basic losses per share is calculated by dividing the unaudited net loss for the three and six months ended 30 July 2012 approximately RMB 5,043,000 and RMB 4,166,000 (approximately profit of RMB 332,000 and RMB 842,000 the corresponding period of 2012) attributable to owners of the Group by the weighted average number of 365,208,664 ordinary shares (2012: 364,308,664 shares) during the year.

The calculation of the diluted earnings per share for the year is based on the profit attributable to ordinary equity shareholders and adjusted to eliminate the interest expense less the tax effect. The weighted average number of 454,071,755 (2012: 453,171,755) ordinary shares after adjusting for the effect of the dilutive potential ordinary shares to be issued to the exercise of the options granted under all relevant Share Option Schemes and the conversion of convertible bond of 88,928,491 (2012: 88,928,491) shares

## 6. 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(2012: Nil)

PRC Enterprise Income Tax has been calculated on the estimated assessable profit for the year according to the relevant laws and regulations. The applicable income tax rate is ranging from 15% to 25% as at 31 March 2012 (2011: 15%-25%). During the year, Beijing Dezhong VP Technology Development Co Ltd, Beijing Venture-Sunshine Pharmaceutical Technology Co., Ltd, Beijing Venture-Sun Medical Technology Co., Ltd, Beijing New Dezhong-Venture Pharmaceutical Technology Development Co., Ltd and Hainan Sinican Bio-labs Limited have applied to the PRC tax authority as High-tech Enterprises and subject to the PRC Enterprise Income Tax at 15%.

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>three months</b>		<b>Six months</b>	
	<b>Ended</b>	<b>30 June</b>	<b>ended</b>	<b>30 June</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Chinese Income Tax	<b>0</b>	151	<b>0</b>	151

## 7. Borrowings

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Non-current- Convertible bond	<b>89,405</b>	
Current-Convertible bond		106,786-
	<b>89,405</b>	<b>106,786-</b>

At 30 June 2013, the carrying amounts and fair value of the non-current convertible bonds for the Group and the Company amounted approximately of RMB 89,405,000 (2012: RMB106,786,000).

## 8. 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 RMB 11,205,000 for the six months ended 30 June 2013, representing a decrease of approximately 27% compared with that of the corresponding period in 2012. As there was a significant change in the Chinese Government's policies and regulations in drug approval, which led to the increase in rigidity and cautiously in government approval and increased the timing and risk in new drug development, the total revenue dropped significantly.

### **PROSPECTS**

The Group will focus on the advantages of resources to improve its capacities and performance in services by providing fully integrated pharmaceutical services which including Clinical Research Service (VPS), Regulatory Affairs Service (RAS) and Post Market Service (PMS). 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. 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 six months ended 30 June 2013.

### **SIGNIFICANT INVESTMENTS**

The Company invested its surplus fund through its principal bank in investment market funds, which was RMB 1,620,000 as at 30 June 2013.

### **CONTINGENT LIABILITIES**

As at 30 June 2013, 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 six months ended 30 June 2013.

### **COMPETING INTERESTS**

As at 30 June 2013 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 2013 to 30 June 2013

### **(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 June 2013, 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. WU Shou Yuan, Mr. Paul CONTOMICHALOS and Mr. ZHANG Jing An. Mr. WU Shou Yuan is the chairman of the audit committee.

The company’s financial statements for the six months ended 30 June 2013 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, 14 Aug, 2013

*Executive Directors:*

William Xia GUO

Maria Xuemei SONG

*Non-Executive Directors:*

FENG Tao

LI Jin Liang

Nathan Xin ZHANG

*Independent Non-Executive Directors:*

WU Shou Yuan

Paul CONTOMICHALOS

ZHANG Jing An