



**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 RESULT ANNOUNCEMENT 2012  
FOR THE THREE MONTHS ENDED 31 MARCH 2012**

*\*for identification only*

**FIRST QUARTERLY RESULT ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH 2012**

***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 gazette 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.***

***The Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.***

***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)*

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The Directors are pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2012, together with the comparative figures.

### HIGHLIGHTS

1. The Group achieved a turnover of RMB 8,040,000 for the three months ended 31 March 2012 representing a decrease of approximately 45% compared with the corresponding period of 2011.
2. The Group achieved operating profit about RMB 512,000 for the three months ended 31 March 2012 representing a decrease of approximately 66% compared with the corresponding period of 2011. Basic earnings per share is approximately 0.14 cents for the three months ended 31 March 2012,
3. Directors do not recommend to do the payment of any interim dividends for the three months ended 31 March 2012.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Three months ended 31 March	
	Notes	2012 RMB'000	2011 RMB'000
Turnover	2	8,040	14,500
Cost of sales		(4,458)	(8,750)
<b>Gross profit</b>		3,582	5,750
Administrative expenses	3	(2,566)	(2,794)
<b>Profit from operations</b>		1,016	2,956
Other income		421	87
Finance costs		(925)	(868)
Profit before income tax		512	2175
Income tax	5	-	(663)
<b>Profit for the period</b>		512	1,512
<b>Attributable to :</b>			
Owners of the parent		510	1,481
Non-controlling interests		2	31
		512	1,512
<b>Earnings per share (cent)</b>	4		
- basic		0.14	0.42
- diluted		0.33	0.55

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share Based Payment reserve	Available for-sales Financial Assets reserve	Special Reserve	Capital reserve	Statutory reserve	Statutory enterprise fund expansion	Retained earnings	Total	Non-controlling interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At											
January											
2011	38,469	3,627	-	6,039	1,459	3,803	6,986	(5,103)	55,280	1,045	56,325
New issue of shares	62	-	-	-	248	-	-	-	310	-	310
Profit for the period	-	-	-	-	-	-	-	1,481	1,481	31	1,512
At 31 March											
2011	38,531	3,627	-	6,039	1,707	3,803	6,986	(3,622)	57,071	1,076	58,147
At 1 January											
2012	38,536	3,919	-	6,039	1,819	3,803	6,986	(156,610)	(95,508)	(316)	(95,824)
New issue of shares	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	510	510	2	512
At 31 March											
2012	38,536	3,919	-	6,039	1,819	3,803	6,986	(156,100)	(94,998)	(314)	(95,312)

## 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 2011.

The accounts have been prepared on a consolidated basis and include the financial statements of the Company and its subsidiaries. All the internal trades, balance of trade, and the unrealized profit should be counteracted. Up to the date of 31 March 2012 the merger performance together with the assumed group structure at present is compiled based on its established status all along.

The consolidated financial statements have been prepared under the going concern basis.

The Group maintains a sound financial position and prudent liquidity risk management. The group ceased investment in PDS projects without customer contract and planed to reduce staff cost, rental and other operation cost. Cash flows from operation activities of the group will maintain in healthy position.

On 4 September 2012, the Bond holders passed the Resolution to extend the maturity date of the convertible bonds to 10 September 2015 and heavily reduced 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, issuance of new debts etc.

## 2. Revenue and segment information

Breakdown of the revenue from all services is as follows:

	Unaudited	
	Three months ended 31 March	
	2012	2011
	RMB'000	RMB'000
<b>Analysis of revenue by category</b>		
Contracted clinical research services (VPS)	4,579	9,800
Contracted pharmaceutical development services (PDS)	3,120	4,700
Import registration services (IRS)	341	-
Total	8,040	14,500

### Impact of Businesses strategy change on PDS

For the PDS business before 2011, the Group initiated PDS project when the Group found a market opportunity, invested capital and other resource to research and develop a drug technology (including application and obtainment of patent, Clinical Study Approval and Manufacturing Approval) and sold the drug technology to customer. Because rigid requirement of new drug development under recent government regulations, the Group had to invest more capital and time to finish a PDS project before it could be sold to customer, and increased the risk of the Company. In 2011, the Group changed the business strategy of PDS. The Group had ceased the investment on PDS projects without customer contract and will start a new PDS project only after signing a customer contract.

For the former PDS project involving drug technology transfer and follow up service, the Group used to adopt the sales recognise method that the first stage contract payment should be recorded as revenue of technology transfer. However, in 2011, the Group changed the business strategy of PDS and only R&D service rather than drug technology transfer would be provided in PDS project. Thus, the first stage contract payment of PDS projects that formerly recorded as revenues from transfer of new drug development and formulation data would be recognised to the extent of the milestone payments earned in accordance with the applicable performance requirements and contractual terms and, where appropriate, as the related costs are incurred. The financial impact of the above business strategy change on compare figures that published in previous quarterly report is as follows:

	Unaudited	
	Three months ended 31 March	
	2012	2011 Adjusted
	RMB'000	RMB'000
<b>Analysis of revenue by category</b>		
Contracted clinical research services (VPS)	4,579	3,067
Contracted pharmaceutical development services (PDS)	3,120	680
Import registration services (IRS)	341	368
Total	8,040	4,115

### 3. Administrative expenses

	Unaudited	
	Three months ended	
	31 March	
	2012	2011
	RMB'000	RMB'000
Administrative expenses	<b>2,566</b>	2,794

### 4. Earnings per share

Basic earnings per share is calculated by dividing the unaudited net profit approximately RMB 512,000 RMB (approximately RMB 1,512,000 the corresponding period of 2011) attributable to owners of the Group by the weighted average number of 364,308,664 ordinary shares (2011: 364,243,264 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 453,237,155 (2011: 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 (2011: 88,928,491) shares.



#### 4. 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(2011: Nil)

PRC enterprise income tax is calculated and paid at 25% according to Chinese laws and regulations (2011: 25%).

	<b>Unaudited</b>	
	<b>Three months</b>	
	<b>ended</b>	<b>31 March</b>
	<b>2012</b>	<b>2011</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Chinese		
Income Tax	-	663

#### 5. Segment information

As all assets and operations of the group are located in China during this period, there is no geographical segment analysis.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The Group achieved a turnover of RMB 8,040,000 for the three months ended 31 March 2012, representing an decrease of approximately 45% compared with that of the corresponding period in 2011. However, considering the impact mentioned in Note 2, the actual revenue increased by 95%.

### **Sales and marketing**

For the three months ended 31 March 2012, the Group has signed 10 contracts with contract value of RMB 9,774,921, representing an decrease of approximately 40% compared with that of the corresponding period in 2011.

### **PROSPECTS**

To capitalize on the opportunity of the increased demand of global R&D outsourcing market, the Group has made the best efforts to improve its service capacities and performance in R&D outsourcing services by providing fully integrated pharmaceutical services which including Active Pharmaceutical Ingredient (API), Pharmaceutical Development service (PDS), Clinical Research Service (VPS), regulatory affair (RA) service 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.

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### **Dividends**

Directors do not recommend the payment of any interim dividends for the three months ended 31 March 2012.

### **SIGNIFICANT INVESTMENTS**

The Company invested its surplus fund through its principal bank in investment market funds, which was RMB 2,117,000 at 31 March 2012.

### **CONTINGENT LIABILITIES**

As at 31 March 2012, the Group did not have any contingent liabilities.

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

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

## **CAPITAL STRUCTURE**

There has not been any significant change to the capital structure in the three months ended 31 March 2012.

## **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 2012.

## **COMPETING INTERESTS**

As at 31 March 2012, 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.

## **Delay in Quarterly Result Announcement**

As the delay of the publication of the audited consolidated financial results of the company and its subsidiaries for the year ended 31 December 2011, the quarterly results announcement for the three months ended 31 March 2012 was extended.

## **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 2012 to 31 March 2012.

### **(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 2012, 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 three months ended 31 March 2012 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, 21 March, 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