



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 RESULT ANNOUNCEMENT 2012
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

**for identification only*

**INTERIM RESULT ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 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 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.



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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 2012, together with the comparative figures.

HIGHLIGHTS

1. The Group achieved a turnover of RMB 15,402,000 for the six months ended 30 June 2012 representing a decrease of approximately 36% compared with that of the corresponding period in 2011.
2. Due to the revenue growth and efficient cost control, the Group achieved profit from operations of RMB 834,000 for the six months ended 30 June 2012, representing a decrease of approximately 74% compared with that of the corresponding period in 2011.
3. Basic earnings per share amounted to RMB 0.23 cent for the six months ended 30 June 2012.
4. Directors do not recommend to do the payment of any interim dividends for the six months ended 30 June 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2012	2011	2012	2011
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	7,362	9,513	15,402	24,013
Cost of sales		(3,588)	(4,343)	(8,046)	(13,093)
Gross profit		3,774	5,170	7,356	10,920
Administrative expenses	3	(2,034)	(2,853)	(5,158)	(5,647)
Profit from operations		1,182	2,317	2,198	5,273
Other income		151	1,213	572	1,300
Finance costs		(862)	(1,559)	(1,787)	(2,427)
Profit before taxation		471	1,971	983	4,146
Income tax	6	(151)	(295)	(151)	(958)
Profit for the year		320	1,676	834	3,188
Attributable to :					
Equity holders of the Company		313	1,582	814	3,063
Minority interests		8	94	20	125
Profit for the year		321	1,676	832	3,188
Earnings per share (cent)					
- basic	5	0.09	0.43	0.23	0.84
- diluted	5	0.28	0.58	0.61	1.13

CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2012 RMB'000	Unaudited 30 June 2011 RMB'000
Non-current assets			
Property, plant and equipment		9,620	15,708
Deferred tax assets		-	5,340
		<u>9,620</u>	<u>21,048</u>
Current assets			
Work-in-progress		14,860	59,170
Trade receivables		1,409	9,324
Other receivables, deposits and prepayments		9,975	16,059
Financial assets at fair value through profit or loss		1,415	57,962
Cash and cash equivalents		5,349	22,689
		<u>33,008</u>	<u>165,204</u>
Current liabilities			
Trade and other payables		14,418	5,704
Receipt in advance		14,304	1,488
Income tax liabilities		-	307
		<u>28,722</u>	<u>7,499</u>
Net current assets		<u>4,286</u>	<u>157,705</u>
Total assets less current liabilities		<u>13,906</u>	<u>178,753</u>
Non-current liabilities			
Convertible bond	7	108,898	118,930
Net assets		<u>(94,992)</u>	<u>59,823</u>
Capital and reserves			
Share capital		38,536	38,531
Reserves		(133,202)	20,122
Total equity attributable to equity shareholders of the Company		(94,666)	58,653
Minority interests		(326)	1,170
Total equity		<u>(94,992)</u>	<u>59,823</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash used in operating activities	554	16,208
Net cash used in investing activities	(240)	(250)
Net cash generated from financing activities	(1,787)	(179)
Net decrease in cash and cash equivalents	(1,447)	15,779
Cash and cash equivalents at beginning of the period	<u>6,822</u>	<u>6,910</u>
Cash and cash equivalents at end of the period	<u>5,349</u>	<u>22,689</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share-Based		Available-for-sales Financial			Statutory enterprise				Total
	Share capital	Payment reserve	Assets reserve	Special Reserve	Capital reserve	Statutory reserve	fund expansion	Retained earnings	Minority interest	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	38,469	3,627	-	6,039	1,459	3,803	6,986	(5,103)	1,045	56,325
New issue of shares	62	-	-	--	248	-	-	-	-	310
Profit for the period	-	-	-	-	-	-	-	3,063	125	3,188
At 30 June 2011	38,531	3,627	-	6,039	1,707	3,803	6,986	(2,040)	1,170	59,823
At 1 January 2012	38,536	3,919	-	6,039	1,819	3,803	6,986	(156,610)	(316)	(95,824)
New issue of shares	-	-	-	--	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	842	10	832
At 30 June 2012	38,536	3,919	-	6,039	1,819	3,803	6,986	(155,768)	(326)	(94,992)

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 made up to 30 June 2012. 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 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. 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 June		Unaudited six months ended 30 June	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted clinical services outsourced by customers(VPS)	4,652	4,988	9,231	14,788
Contracted pharmaceutical development and services (PDS)	2,710	3,012	5,830	7,712
Import registration services(IRS)	-	1,513	341	1,513
	<u>7,362</u>	<u>9,513</u>	<u>15,402</u>	<u>24,013</u>

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 30 June		Unaudited six months ended 30 June	
	2012	2011 Adjusted	2012	2011 Adjusted
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted clinical services outsourced by customers(VPS)	4,653	678	9,232	3,745
Contracted pharmaceutical development and services (PDS)	2,710	1,676	5,830	2,356
Import registration services(IRS)	-	367	341	735
	<u>7,363</u>	<u>2,721</u>	<u>15,403</u>	<u>6,836</u>

3. Administrative expenses

	Unaudited		Unaudited		
	Three months ended 30 June		Six months ended 30 June		
	2012	2011	2012	2011	
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses		2,592	2,853	5,158	5,647

Administrative expenses decreased by 9% for the reason of strict cost control.

4. Dividends

The board does not recommend the payment of any interim dividend for the six months ended 30 JUNE 2012. (2011: Nil)

5. Earnings per share

Basic earnings per share is calculated by dividing the unaudited net profit for the three and six months ended 30 July 2012 approximately RMB 320,000 and RMB 832,000 (approximately RMB 1,676,000 and RMB 3,188,000 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

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(2011: Nil)

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

	Unaudited		Unaudited	
	three months		Six months	
	Ended 30 June	ended 30 June	ended 30 June	ended 30 June
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Income Tax	151	295	151	958

7. Borrowings

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Non-current		
Convertible bond	106,786	118,930

At 30 June 2012, the carrying amounts and fair value of the non-current convertible bonds for the Group and the Company amounted approximately of RMB 106, 786,000 (2011: RMB118,930,000).

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 15,403,000 for the six months ended 30 June 2012, representing a decrease of approximately 36% compared with that of the corresponding period in 2011, of which, contracted clinical service(VPS) achieved RMB 9,232,000, decreasing by 38%, Contracted pharmaceutical development and service(PDS) achieved RMB 5,830,000, decreasing by 24%.

Considering the impact mentioned in Note2, the actual revenue increased by 125%.

Sales and marketing

For the six months ended 30 June 2012, the Group has signed 16 contracts with contract value of RMB 24,970,000, representing an increase of approximately 3% 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.

DIVIDEND

The Directors have not recommended payment of any interim dividend for the six months ended 30 June 2012.

SIGNIFICANT INVESTMENTS

The Company invested its surplus fund through its principal bank in investment market funds, which was RMB 1,415,000 as at 30 June 2012.

CONTINGENT LIABILITIES

As at 30 June 2012, 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 2012.

COMPETING INTERESTS

As at 30 June 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 six months ended 30 June 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 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 2012 to 30 June 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 30 June 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 six months ended 30 June 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