LANSEN PHARMACEUTICAL HOLDINGS LIMITED
朗生醫藥控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 503)

INTERIM RESULTS ANNOUNCEMENT FOR SIX MONTHS ENDED 30 JUNE 2011

Financial Highlights

	For the six months ended 30 June		
	2011	2010	Change
Results (US$'000):			
Revenue	**31,005**	28,402	9.2%
EBITDA	**8,093**	7,207	12.3%
Profit for the period	**6,136**	5,029	22.0%
Profitability:			
Net profit margin	**19.8%**	17.7%	2.1%
Basic earnings per share (US cents)*	**1.5**	1.5	–
Proforma basic earnings per share (US cents)**	**1.5**	1.2	25.0%

* The earnings per share for the first half of 2010 was calculated on the basis of the weighted average number of 333,204,429 shares in issue.

** The earnings per share for the first half of 2010 was calculated on the basis of a total of 415,000,000 shares in issue after the listing of the Company. The figures above are the results of simulation calculation on a proforma basis made for reference only.

The board of directors (the "**Board**") of Lansen Pharmaceutical Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as "**Lansen**" or the "**Group**") for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010 as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	**Six months ended 30 June 2011** ***US$'000*** **(unaudited)**	Six months ended 30 June 2010 *US$'000* (audited)
Revenue	*4*	**31,005**	28,402
Cost of sales		**(11,929)**	(9,824)
Gross profit		**19,076**	18,578
Other income	*4*	**1,339**	940
Selling and distribution expenses		**(10,442)**	(8,709)
Administrative expenses		**(3,657)**	(4,115)
Profit from operations	*6*	**6,316**	6,694
Finance costs	*7*	**(149)**	(347)
Share of post-tax profit of an associate		**1,126**	–
Profit before income tax		**7,293**	6,347
Income tax expense	*8*	**(1,157)**	(1,318)
Profit for the period		**6,136**	5,029
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**1,952**	387
Other comprehensive income for the period, net of tax		**1,952**	387
Total comprehensive income for the period		**8,088**	5,416
Profit attributable to owners of the Company		**6,136**	5,029
Total comprehensive income attributable to owners of the Company		**8,088**	5,416
Earnings per share – Basic (US cents)	*10*	**1.5**	1.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At as 30 June 2011

	Notes	**30 June 2011** ***US$'000*** **(unaudited)**	31 December 2010 *US$'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**21,138**	19,797
Land use rights		**2,442**	2,413
Intangible assets		**9,364**	8,862
Goodwill		**6,824**	6,824
Interest in an associate		**26,160**	24,380
		65,928	62,276
Current assets			
Inventories		**9,785**	6,079
Trade and other receivables	*12*	**31,401**	29,283
Land use rights		**56**	54
Pledged bank deposits		**4,899**	92
Cash and cash equivalents		**9,916**	14,827
		56,057	50,335
Total assets		**121,985**	112,611
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		**4,150**	4,150
Share premium		**62,623**	68,475
Exchanges equalisation reserve		**6,339**	4,387
Statutory reserve		**1,311**	1,311
Retained profits		**20,078**	13,942
Total equity		**94,501**	92,265
Non-current liabilities			
Borrowings		**4,700**	7,390
Deferred tax liabilities		**394**	394
		5,094	7,784

	Notes	**30 June 2011 *US$'000* (unaudited)**	31 December 2010 *US$'000* (audited)
Current liabilities			
Borrowings		**9,299**	3,303
Current tax liabilities		**924**	1,147
Trade and other payables	*13*	**12,167**	8,112
		22,390	12,562
Total liabilities		**27,484**	20,346
Total equity and liabilities		**121,985**	112,611
Net current assets		**33,667**	37,773
Total assets less current liabilities		**99,595**	100,049

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Lansen Pharmaceutical Holdings Limited is an exempted limited liability company incorporated in the Cayman Islands on 10 September 2009 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7 May 2010. The Company's registered office is located at Clifton House, 75 Fort Street, P.O.Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's principal place of business is located at Suites 1203-4, 12/F., Li Po Chun Chambers, 189 Des Voeus Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing and trading of pharmaceutical products.

2. BASIS OF PREPARATION

Through a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares (the "Group Reorganisation"), the Company became the holding company of the Group on 21 April 2010. Details of the Group Reorganisation are more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group Structure" of the prospectus of the Company dated 27 April 2010. The Group resulting from the Group Reorganisation was regarded as a continuing entity and, accordingly, the condensed consolidated interim financial statements for the six months ended 30 June 2010 were prepared using the principles of merger accounting. The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months ended 30 June 2010 were prepared on the basis as if the current group structure had been in existence throughout the period.

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies adopted in the Interim Financial Statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which collective term includes all applicable individual International Financial Reporting Standards and Interpretations as approved by the IASB, and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB), as disclosed in note 3. The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

The Interim Financial Statements are unaudited, but has been reviewed by our auditor in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

The Interim Financial Statements have been prepared on the historical cost basis.

3. ADOPTION OF NEW AND REVISED IFRSs

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised IFRSs") issued by the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 32 (Amendments)	Classification of Right Issues
IFRIC – Interpretation 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The impact of these new and revised IFRSs on the Interim Financial Statements is not significant.

The Group has not early applied new or revised standards that have been issued but not yet effective. The following new or revised standards, which are potentially relevant to the Group's financial statements, have been issued and are not yet effective:

IAS 1 (Revised)	Presentation of financial statements – Presentation of items of other comprehensive income[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 13	Fair Value Measurement[2]
IAS 27 (Revised)	Separate Financial Statements[2]
IAS 28 (Revised)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2012

[2] Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of these new or revised standards will have no material impact on the results and the financial position of the Group.

4. REVENUE AND OTHER INCOME

An analysis of the Group's revenue, which is also the Group's turnover, and other income for the periods are as follows:

	Six months ended 30 June 2011 *US$'000* **(unaudited)**	Six months ended 30 June 2010 *US$'000* (audited)
Revenue from sales of goods	**31,005**	28,402
Other income		
Government grants	**1,160**	913
Interest income on financial assets not at fair value through profit or loss	**120**	25
Others	**59**	2
	1,339	940

The Group received grants from the local government in the People's Republic of China (the "PRC") as recognition of the Group's performance and development of high-technology pharmaceutical products. The grants received were not subject to any conditions.

5. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its product types and has two reportable operating segments as follows:

- Rheumatic specialty prescription western pharmaceuticals;
- Other pharmaceuticals.

Management monitors the results of its business units separately for the purpose of making decision about resource allocation and performance assessment. During the six months period to 30 June 2011, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss. Segment performance is evaluated based on the results from the reportable segments as explained in the table below.

	Six months ended 30 June 2011		
	Rheumatic specialty prescription western pharmaceuticals *US$'000* **(unaudited)**	**Other pharmaceuticals** *US$'000* **(unaudited)**	**Total** *US$'000* **(unaudited)**
Reportable segment revenue			
– Revenue from external customers	**20,929**	**10,076**	**31,005**
Reportable segment profit	**16,114**	**2,962**	**19,076**

	Six months ended 30 June 2010		
	Rheumatic specialty prescription western pharmaceuticals *US$'000* (audited)	Other pharmaceuticals *US$'000* (audited)	Total *US$'000* (audited)
Reportable segment revenue			
– Revenue from external customers	18,782	9,620	28,402
Reportable segment profit	15,034	3,544	18,578

The totals presented for the Group's operating segments reconciled to the Group's key financial figures as presented in the financial statements is as follows:

	Six months ended 30 June 2011 ***US$'000*** **(unaudited)**	Six months ended 30 June 2010 *US$'000* (audited)
Profit or loss		
Reportable segment profit	**19,076**	18,578
Share of post-tax profit of an associate	**1,126**	–
Other income not allocated	**1,339**	940
Other expenses not allocated	**(14,099)**	(12,824)
Finance costs	**(149)**	(347)
Profit before income tax	**7,293**	6,347

Reportable segment profit represents the gross profit by each segment. This is the measure reported to the executive directors for the purpose of resource allocation and performance assessment.

No segment assets or segment liabilities are presented as they are not regularly provided to the management.

6. PROFIT FROM OPERATIONS

The Group's profit from operations has been arrived at after charging/(crediting):

	Six months ended 30 June 2011 ***US$'000*** **(unaudited)**	Six months ended 30 June 2010 *US$'000* (audited)
Depreciation of property, plant and equipment	**621**	484
Amortisation of land use rights	**30**	29
Provision for impairment of trade receivables	**149**	242
Provision for impairment of other receivables	**10**	14
Research and development costs	**198**	111
Loss on disposal of property, plant and equipment	**5**	17
(Reversal of)/provision for obsolete inventories	**(13)**	15

7. FINANCE COSTS

	Six months ended 30 June 2011 ***US$'000*** **(unaudited)**	Six months ended 30 June 2010 *US$'000* (audited)
Interest on bank borrowings wholly repayable within five years	**149**	391
Less: Interest capitalised included in construction in progress	**–**	(44)
	149	347

8. INCOME TAX EXPENSE

	Six months ended 30 June 2011 *US$'000* **(unaudited)**	Six months ended 30 June 2010 *US$'000* (audited)
Current tax		
– PRC Enterprise Income Tax ("EIT")	**1,157**	1,318

Tax on assessable profits arising in the PRC has been calculated at the applicable rates of tax prevailing in the tax jurisdiction in which the Group operates.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2010: 25%).

One of the subsidiaries has been certified for a new high technology enterprise in the PRC and enjoyed a preferential enterprise income tax rate of 15% starting from 1 January 2010.

Certain subsidiaries of the Group are wholly-owned foreign enterprises in accordance with the Income Tax Law of the PRC for Enterprise with Foreign Investment and Foreign Enterprises and are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit-making year after offsetting prior years' tax losses.

9. DIVIDENDS

(a) Dividends attributable to the interim period:

	Six months ended 30 June 2011 *US$'000* **(unaudited)**	Six months ended 30 June 2010 *US$'000* (audited)
Special dividend of US1.80 cents per share in 2010	**–**	5,390

Pursuant to the ordinary resolution passed at the General Meeting held on 9 April 2010, the Company declared a dividend of US1.80 cents per share, totalling approximately US$5,390,000 to the then shareholders.

At the meeting held on 25 August 2011, the directors declared an interim dividend of HK8.05 cents (approximately US1.03 cents) (2010: nil) per share for the six months ended 30 June 2011 to the shareholders whose names appear in the register of members of the Company on 14 September 2011. The declared interim dividend, amounting to HK$33,408,000 (approximately US$4,293,000), has not yet been accounted for in the current period's financial statements but will be reflected in the financial statements for the year ending 31 December 2011.

(b) Dividends attributable to the previous financial year, approved and recognised during the interim period:

	Six months ended 30 June 2011 *US$'000* **(unaudited)**	Six months ended 30 June 2010 *US$'000* (audited)
2010 final dividend of US1.41 cents per share	**5,852**	–

Pursuant to the ordinary resolution passed at the Annual General Meeting held on 28 April 2011, the Group approved a final dividend of US1.41 cents per share, totalling US$5,852,000 to be paid from the Company's share premium account for the year ended 31 December 2010. The final dividend was paid on 13 May 2011.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the consolidated profit attributable to owners of the Company and 415,000,000 shares in issue during the period (six months ended 30 June 2010: weighted average number of 333,204,429 shares on the assumption that the Group Reorganisation have been effective on 1 January 2009).

No diluted earnings per share is presented as there were no potential dilutive shares during the period.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment of approximately US$1,474,000 (six months ended 30 June 2010: approximately US$1,538,000) to expand and upgrade its facilities.

12. TRADE AND OTHER RECEIVABLES

	30 June 2011 *US$'000* **(unaudited)**	31 December 2010 *US$'000* (audited)
Trade receivables	**22,330**	19,551
Less: provision for impairment of trade receivables	**(2,006)**	(1,811)
	20,324	17,740
Bills receivables	**6,712**	7,130
Trade and bills receivables	**27,036**	24,870
Prepayments and other receivables	**4,365**	4,413
	31,401	29,283

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

The Group has a policy of allowing an average credit period of 90 days to its customers (2010: 90 days).

Based on the invoice dates, the ageing analysis of the trade and bills receivables of the Group at the end of the reporting date is as follows:

	30 June 2011	31 December 2010
	US$'000	*US$'000*
	(unaudited)	(audited)
90 days or below	**25,991**	21,517
91–180 days	**1,045**	3,164
181–365 days	**–**	189
	27,036	24,870

At each reporting date, the Group's trade and other receivables are individually determined for impairment testing. The individually impaired receivables, if any, are recognised based on the credit history of customers, such as financial difficulties and default in payments, and current market conditions.

13. TRADE AND OTHER PAYABLES

	30 June 2011	31 December 2010
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade payables	**6,735**	4,346
Bills payables	**515**	185
Trade and bills payables	**7,250**	4,531
Other payables and accruals	**4,917**	3,581
	12,167	8,112

Based on invoice date, the ageing analysis of the trade and bills payables of the Group as at the end of the reporting date is as follows:

	30 June 2011	31 December 2010
	US$'000	*US$'000*
	(unaudited)	(audited)
90 days or below	**4,725**	3,645
91–180 days	**1,199**	451
181–365 days	**818**	111
Over 365 days	**508**	324
	7,250	4,531

As at 30 June 2011 and 31 December 2010, bills payables of US$515,000 and US$185,000 respectively were secured by the pledged bank deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of 2011, the People's Republic of China ("PRC")'s economy experienced a GDP growth rate of 9.6% over the same period last year. Despite the downward pressure on pharmaceutical prices, the increase in raw material prices and other inflationary factors, China's pharmaceutical market continued to show strong growth, thanks to the implementation of the new medical reform programme and related expenditures together with rising incomes. Spending on healthcare and medical services experienced steady growth. The autoimmune rheumatic market continued to grow at a faster pace than the overall market, evident by the intensified competition among multinational pharmaceutical companies and a significant growth in the sales of biological agents. The development of the whole pharmaceutical industry has been reinforced presenting Lansen with both opportunities and challenges.

Further to the issuance of a notice adjusting the maximum retail price of certain pharmaceuticals related to antibiotics and cardiovascular drugs by the National Development and Reform Commission (the "NDRC") on 7 March 2011, the NDRC issued another notice on 5 August 2011 to lower the retail price cap on certain pharmaceuticals related to steroids, the endocrine system and nervous system with effect from 1 September 2011. The above actions reaffirmed the implementation of the price management reform policies. Meanwhile, to control the unreasonable increase in medical expenses and to reduce the burden on patients, the NDRC and the Ministry of Health issued the "Pilot Reform Notice on Determination of Fees by Disease Categories" (《按病種收費方式改革試點有關問題的通知》) on 30 March 2011. One hundred and four kinds of diseases were selected which serve as a guideline for the pilot reform across the nation. Thus far, none of Lansen's products are subject to any of the price adjustments mentioned above, and the impact of these price control policies on the autoimmune rheumatic market was relatively small compared to other pharmaceutical sectors. Although the Administrative Measures Concerning the Quality of Drugs Production (2010 revision) (the "New GMP"), issued by the Ministry of Health came into effect on 1 March 2011, the implementation rules have not yet been promulgated. Lansen will formulate new processes and measures required under the New GMP and endeavour to complete the New GMP certification ahead of the stipulated 5-year transitional period. Lansen will also continue to monitor closely the further development of the medical reform policies and proactively adopt measures in order to mitigate any possible impact. Meanwhile, the Group will pursue opportunities to acquire of suitable pharmaceutical companies or products for its further development.

In 2010, the Group successfully acquired a 20% interest in Zhejiang Starry Pharmaceutical Co., Ltd. ("Starry"). Starry achieved an impressive operating result in the first half of the year. Benefiting from the growing market demand in China and the increased efforts in opening up new export markets, the company's contrast agents achieved not only satisfactory sales growth, but also a substantial increase in the gross profits. As a result, Starry contributed net profits after tax of approximately US$1.1 million to the Group in the first half of the year, and became a major driver of profit growth for the Group in the first half of the year.

The operating environment was severely affected by the continued high level of raw material prices and the escalating inflation rate. It was also impacted by an increase in the rate of city construction tax and an educational tax surcharge. Through a reasonable allocation of capital to increase our raw material reserves, the Group was able to partially offset the rise in raw material costs. The Group also continued to enhance economies of scale as well as productivity and operational efficiency to minimize the impact. Meanwhile, we focused on the development and promotion of our core products for attaining satisfactory revenue growth, and as a result of all of these measures, have consolidated our leading position. We continue to strive for greater market share in the autoimmune rheumatic market and to benefit from the growth in the industry.

Since non-core products, including modern Chinese medicine and generic drugs, were adversely affected by government policies and the increasing price of raw materials, the sales growth was not remarkable as compared with the core business, and the gross profit margin also recorded a decrease compared to the same period last year. However, the contribution of profits from Starry and returns from the core business of the Group helped offset these unfavorable factors.

In the first half of 2011, the turnover and net profit of the Group reached record highs. The sales amounted to US$31.0 million, representing a 9.2% increase over the corresponding period last year, of which the sales of our core products, namely Pafulin, Tuoshu and Mycophenolate Mofetil Capsules ("MMF") recorded an outstanding result. Sales of these three core products reached US$18.5 million, representing a 19.3% increase, and their contribution to our total turnover increased from 54.6% to 59.7%. The net profit after tax of the Group amounted to US$6.1 million, representing a 22.0% increase over the corresponding period last year.

Pafulin, the core product of the Group, recorded continuous growth. The demand for Pafulin, which is included in the Medical Insurance Catalogue (醫保目錄), began to increase given the further increase in the amount and number of people covered by medical insurance. While expanding the sales network in the second- and third-tier cities, the Group also closely cooperated with the Chinese Society of Dermatology of the Chinese Medical Association (中華醫學會皮膚性病學分會) for clinical application of Pafulin to autoimmune-related dermatological diseases. The sales of Pafulin in the first half of 2011 amounted to US$11.9 million, representing an increase of 10.7% over the corresponding period last year. The prices of Chinese herbs including white peony surged in 2010 and remained at a high level in 2011. Because we increased our inventory of white peony prior to the price increases and thanks to economies of scale we managed to protect our gross profit margins for Pafulin. The Company also expedited the construction of the white peony plantation base and established Bozhou Lansen Herbal Industry Limited in Bozhou, Anhui Province so as to establish a complete product chain for Pafulin to continually enhance product quality. The above strategy not only supported the stable growth of Pafulin, but also established a solid foundation for the possible future surge in demand following the establishment of a sound basic healthcare system under the new medical reform.

Tuoshu, another core product, also recorded satisfactory growth. Lansen continued to implement its strategies and promotional activities for Tuoshu and Pafulin in the autoimmune rheumatic pharmaceuticals area. In order to reduce financial burden on consumers and fully utilise the pricing advantages of Tuoshu, Lansen strengthened its sales by offering bulk-sized packages with lower price and lower unit cost to patients. Coupled with enhanced market recognition, the demand for Tuoshu recorded attractive growth. During the first half of the year, the sales from Tuoshu amounted to US$6.0 million, representing an increase of 27.2% over the corresponding period last year and the gross profit margin also experienced an increase.

The sales of a new product, MMF, began to achieve a certain scale. With its highly efficient, unique immunosuppressive effect (harmless to the liver and kidneys), its usage in the treatment of systemic lupus erythematosus and lupus related kidney diseases as well as the treatment of various autoimmune rheumatic diseases and other kidney diseases, MMF, which was launched in mid-2010, was well received by the market. It has also received extensive recognition for its significant therapeutic benefits and reasonable pricing from the experts attending the 16th National Conference of Rheumatology (中華醫學會第十六次全國風濕病學學術會議) held in Changsha, Hunan Province in June this year. The growth in sales during the first half of 2011 was satisfactory, amounting to US$0.7 million.

The above factors contributed to the significant sales growth of the core business of the Group in the first half of the year.

During the first half of 2011, the Group continued to focus on the autoimmune rheumatic area and actively explored opportunities for the acquisition of target enterprises and new products with promising prospects. Also, by gradually developing our own products, we will be able to sustain and consolidate our leading position in the disease-modifying anti-rheumatic drugs market, while extending coverage to other parts of the rheumatic drugs market as well as strategically expanding into other autoimmune diseases-related markets, including autoimmune-related dermatological diseases, autoimmune-related orthopedic diseases and autoimmune-related nephropathy diseases, and other specialties with huge development potential. We believe the gradual launch of new products will contribute to more rapid growth of Lansen in the future.

As scheduled Lansen has commenced the construction of a new quality control and research and development centre to improve its research and development capability and quality control standards. The Group also commenced the expansion of the production facilities for Pafulin and the production line for bulk pharmaceuticals to optimise production and management efficiency to meet the strong demand for these products.

Outlook

2011 was the first year of implementation of the PRC's "Twelfth Five-Year Plan". It was also the final stage of the new medical reform. As the Chinese government continues to pursue economic development and structural adjustment, the overall economy should continue to show steady growth. The pharmaceutical industry should also experience the same healthy and stable growth trend. At the same time, inflation including the escalation of raw material prices was a negative factor which should not be taken lightly. Lansen has gained valuable experience and established a solid foundation in this difficult business environment. Management will closely monitor further development of the new medical reform policies and remains cautiously optimistic about the Group's business.

Looking forward, Lansen will continue to focus on the autoimmune rheumatic diseases. The Group will continue to enhance its competitiveness by capturing its share of the growth in the pharmaceutical industry and the opportunities arising from intensifying competition. The Company will continuously explore the possible acquisition of target enterprises and the introduction of agency products and its own products to cover other sectors of the rheumatic drug market such as biological agents, steroids and anti-inflammatory and analgesic drugs and other specialities with development potential. We must optimise and enhance our product mix. At the same time, we will continue to strengthen the ability of our sales force and progressively recruit more sales professionals. The Group will also closely cooperate with rheumatic associations and specialists to nurture more rheumatic specialists, so as to achieve mutual and solid development of the rheumatology industry. The Group will proactively launch educational programmes for patients and enlarge its market share in the second- and third-tier markets. The Group will also take measures to increase sales and maximise profits by tightening control over costs while improving operational efficiency. Meanwhile, the Group will continue to expand into the market for other immune diseases. In the area of autoimmune-related dermatological diseases, the Group will reinforce its collaboration with the Chinese Society of Dermatology of the Chinese Medical Association (中華醫學會皮膚性病學分會) and establish a fund to support dermatology research so as to encourage dermatologists in the Mainland to carry out in-depth studies. Furthermore, we will continue to explore on the clinical application of Pafulin to autoimmune related dermatological diseases. Apart from engaging in the autoimmune rheumatic area, Lansen also wants to make an active contribution to the treatment and rehabilitation of patients suffering from dermatological diseases in the PRC.

In view of the continuous improvement in primary healthcare reform, with increasing medical treatment and service levels and with increased healthcare awareness as its foundation, we believe that the development of the autoimmune rheumatic industry will continue and a surge in growth may even occur in the future. Lansen has accumulated considerable experience in the industry and is well-positioned to strive for more market share and further growth. The Group is confident of capturing long-term growth and creating satisfactory returns for its shareholders.

Financial Review

Revenue

The Group recorded a revenue of US$31.0 million (30 June 2010: US$28.4 million) for the six months ended 30 June 2011, representing an increase of 9.2% over the same period last year. For the six months ended 30 June 2011, revenue from rheumatic specialty prescription western pharmaceuticals amounted to US$20.9 million (30 June 2010: US$18.8 million), representing an increase of 11.4% over the same period last year, while revenue from other pharmaceuticals amounted to US$10.1 million (30 June 2010: US$9.6 million), representing an increase of 4.7% over the same period last year.

The increase in the Group's revenue during the period was mainly attributable to the stable growth in income from its two core rheumatic specialty prescription western pharmaceuticals, Pafulin and Tuoshu, as well as the sustained development of MMF, an agency product launched last year. With further implementation of the new medical reform by the PRC government, the improvement in the national medical insurance coverage would drive the expansion and growth of the pharmaceutical market. The Group continued to expand its sales and distribution network in the second- and third-tier cities and closely cooperated with rheumatic associations and experts. These initiatives resulted in the stable growth of the Group's rheumatic specialty prescription products.

Gross profit

For the six months ended 30 June 2011, the Group recorded a gross profit of US$19.1 million (30 June 2010: US$18.6 million), representing an increase of approximately 2.7% over the corresponding period last year.

For the six months ended 30 June 2011, the overall gross profit margin of the Group was 61.5% (30 June 2010: 65.4%), representing a decrease of approximately 3.9% over the same period last year. The decrease in gross profit margin was mainly attributable to: (1) the increase in raw material and packing material prices as compared to the same period last year, resulting in an increase in production costs; (2) the promulgation of more regulatory requirements and quality standards by the State Food and Drug Administration. Therefore, our production costs increased as the Group was required to enhance the quality of certain products and upgrade its technology; and (3) in addition, the imposition of city construction tax and an educational tax surcharge by the state caused an increase in cost of sales, and in turn, a decrease in gross profit margin.

Other income

Other income, primarily including government grants and interest income from bank deposits, amounted to US$1.3 million (30 June 2010: US$0.9 million) for the six months ended 30 June 2011, representing an increase of 42.4% over the same period last year. The increase was mainly attributable to increased grants from the local government to the Group as recognition of the Group's performance for the development of high-technology pharmaceutical products.

Selling and distribution expenses

Selling and distribution expenses primarily consisted of: (i) promotional costs through holding seminars, conferences and related expenses; (ii)staff costs; and (iii) rental expenses. For the six months ended 30 June 2011, selling and distribution expenses amounted to US$10.4 million (30 June 2010: US$8.7 million), representing an increase of 19.9% over the same period last year.

The Group endeavored to enhance the popularity of its two core products, Pafulin and Tuoshu. During the period, we held various seminars, actively engaged in patient education, promoted and explained relevant knowledge of related diseases together with the product usage and function. Management believes that the above promotional activities will bring long-lasting effect to the Group.

Furthermore, the Group launched a new product, the MMF, to the market last year. By putting more efforts on marketing and promotion during the period, the Group aimed to further enhance the popularity and market recognition of this product. Through holding academic conferences in the PRC, doctors and patients have been provided with a clearer picture about the pharmacology, functions and advantages of the Group's products.

Administrative expenses

Administrative expenses for the six months ended 30 June 2011 amounted to US$3.7 million (30 June 2010: US$4.1 million), representing a decrease of 11.1% over the same period last year. The decrease in administrative expenses was partly attributable to the one-off listing related expenses arising from the listing of the Group last year.

Finance costs

Finance costs of the Group for the six months ended 30 June 2011 amounted to US$0.1 million (30 June 2010: US$0.3 million), representing a decrease of 57.1% over the same period last year. The decrease was mainly attributable to the overall decrease in the effective interest rates of our borrowings.

Profit attributable to owners of the Company

The profit or net profit attributable to owners of the Company for the six months ended 30 June 2011 grew by 22.0% or US$1.1 million to US$6.1 million as compared to US$5.0 million for the six months ended 30 June 2010.

Earnings per share

The basic earnings per share for the six months ended 30 June 2011 amounted to US1.5 cents, which remained constant as compared to the corresponding period last year. The basic earnings per share remained constant, which was mainly due to the increase in profit attributable to owners of the Company by 22.0% to US$6.1 million (30 June 2010: US$5.0 million), offsetting the increase in the weighted average number of ordinary shares in issue to 415,000,000 (30 June 2010: 333,204,429).

Liquidity, financial resources and capital structure

The Group's financial position continued to be strong. As at 30 June 2011, net current assets and current ratio of the Group were approximately US$33.7 million (31 December 2010: US$37.8 million) and 2.5 (31 December 2010: 4.0) respectively.

As at 30 June 2011, the Group's cash and cash equivalents amounted to US$9.9 million (31 December 2010: US$14.8 million). The Group's borrowings as at 30 June 2011 amounted to US$14.0 million (31 December 2010: US$10.7 million).

As at 30 June 2011, the Group's net debt-to-equity ratio was nil (31 December 2010: nil), calculated by net debt over total equity as at 30 June 2011.

The Group has minimal transactional currency exposure to foreign currency risk as most of the financial assets and liabilities held by the Group's subsidiaries are denominated in the respective functional currency of the subsidiaries. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Charges on assets

As at 30 June 2011, certain bank deposits, buildings and plants, and land use rights in an aggregate carrying amount of US$13.8 million (31 December 2010: US$4.1 million) were pledged to secure banking facilities and bank loans.

Capital commitment

As at 30 June 2011, the Group's capital expenditure contracted for but not provided in the financial statements in relation to construction and purchase of equipment, and development of intellectual property rights amounted to US$0.9 million (31 December 2010: US$0.4 million) and US$1.5 million (31 December 2010: US$1.2 million) respectively.

Contingent liabilities

As at 30 June 2011, the Group did not have any material contingent liabilities.

Material acquisitions and disposals

There were no material acquisitions and disposals of any subsidiaries and associates of the Group during the six months ended 30 June 2011.

Human resources

The Group had over 600 employees as at 30 June 2011. Staff remuneration of the Group, including salary, allowances, medical insurance and provident fund, is determined with reference to individual performance, professional qualifications, experiences in the industry and relevant market trends.

Salaries of employees of the Group have been maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and economic situation. The Group provides professional training in the form of internal courses and workshops for the staff and encourages the staff to participate in training programmes related to the Group's business.

OTHER INFORMATION

Interim dividend

The Directors recommend the payment of an interim dividend of HK8.05 cents (30 June 2010: nil) per share for the six months ended 30 June 2011 to the shareholders listed in the register of members of the Company on 14 September 2011. The interim dividends will be distributed on or about 23 September 2011 to the shareholders.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 14 September 2011 to Friday, 16 September 2011 (both dates inclusive), during such period no transfer of shares of the Company can be registered. In order to qualify for receiving the interim dividend, the Company's shareholders are reminded to ensure that all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 12 September 2011.

Purchase, sale or redemption of listed securities

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Compliance with the code on Corporate Governance Practices

During the six months ended 30 June 2011, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Compliance with the model code by Directors

The Company has adopted the model code as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Following specific enquiries by the Company, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the review period.

Review of unaudited financial statements

The audit committee of the Company comprises of two non-executive Directors, namely Mr. Lee Jin Yi and Ms. Yip Pui Ling, Rebecca, and three independent non-executive Directors, namely Mr. Chan Kee Huen, Michael (Chairman), Mr. Tang Chiu Ping, Raymond and Mr. Fritz Heinrich Horlacher.

The Company's unaudited interim results for the six months ended 30 June 2011 have been reviewed by the audit committee together with the management of the Company.

Publication of the interim results and interim report

The electronic version of this announcement will be published on the website of the Stock Exchange (www.hkexnews.com.hk) and on the website of the Company (www.lansen.com.cn). The interim report of the Company for the six months ended 30 June 2011 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our customers, shareholders, bankers, and in turn the management and staff for their unreserved support for the Group during the period.

By order of the Board
Lansen Pharmaceutical Holdings Limited
Stephen Burnau Hunt
Chairman

Hong Kong, 25 August 2011

As at the date of this announcement, the executive Directors are Mr. Xu Jun and Mr. Liu Xiao Dong; the non-executive Directors are Mr. Stephen Burnau Hunt, Mr. Lee Jin Yi, Ms. Yip Pui Ling, Rebecca, Mr. Tang Jun and Ms. Tao Fang Fang,; the independent non-executive Directors are Mr. Chan Kee Huen, Michael, Mr. Tang Chiu Ping, Raymond and Mr. Fritz Heinrich Horlacher.