LANSEN PHARMACEUTICAL HOLDINGS LIMITED

朗生醫藥控股有限公司

(incorporated in Cayman Islands with limited liability)

(Stock code: 503)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

	2011	2010	Change
Results (US$'000):			
Revenue	74,475	58,607	27.1%
Profit before income tax	15,148	12,785	18.5%
Profit for the year	12,453	10,213	21.9%
Profitability:			
Net profit margin	16.7%	17.4%	-0.7%
Basic earnings per share (US cents)*	3.0	2.7	11.1%
Proforma basic earnings per share (US cents)**	3.0	2.5	20.0%
Assets (US$'000):			
Total assets	144,445	112,611	28.3%
Net assets	99,340	92,265	7.7%
Cash and bank balances	22,878	14,919	53.3%

* The earnings per share for 2010 was calculated on the basis of the weighted average number of 374,438,356 shares in issue.

** The earnings per share for 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.

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Lansen Pharmaceutical Holdings Limited (the "Company") and its subsidiaries ("Lansen" or the "Group"), I am pleased to present the annual report for the financial year ended 31 December 2011 to all shareholders.

Looking back at 2011, rheumatic specialty prescription western pharmaceuticals, the core business of the Group, continued to generate satisfactory sales results. In particular, the three core products, Pafulin, Tuoshu and MMF, recorded an outstanding result. Among the non-core businesses, modern Chinese medicine products also achieved significant growth. In addition, Zhejiang Starry Pharmaceutical Co., Ltd. ("Starry") in which the Group invested 20% of the equity in late 2010 produced an excellent operating result and thus contributed in a notable way to the profit growth for the Group. As at result, the Group's 2011 revenue and profit hit record highs. During the year, revenue was US$74.5 million, representing a 27.1% growth over last year. Profit before taxation was US$15.1 million, representing a 18.5% growth over last year. The net profit for the year was US$12.5 million, representing a 21.9% growth over last year.

2011 was the first year of implementation of the People's Republic of China (the "PRC" or "China")'s "12th Five-Year Plan" (the "Plan"). As the Chinese government continued to foster economic development with structural adjustments, the overall economy continued to grow steadily. 2011 was also the final stage of the first three-year phase of the new healthcare reform. The effect of the gradual implementation of various policies and the continuous investment in reform began to emerge, resulting in the further expansion and high growth of the whole pharmaceutical market. The increasing attention from multinational pharmaceutical companies and the increase in biological agents enabled the autoimmune rheumatic market to grow at a faster pace, which promoted the development of the whole industry and also presented more opportunities. On the other hand, rising raw material prices, escalating inflation rate, increase in city construction tax and an educational tax surcharge together with the price-based competition when tendering during the pilot stage of the essential drug system created an extremely difficult and challenging operating environment.

With its long-established brand image in the rheumatology industry and the accurate assessment of the changing market, coupled with focus on the whole industrial chain and the timely introduction of market-driven business initiatives, Lansen recorded a satisfactory sales result in its core business of rheumatic specialty prescription western pharmaceuticals. The rising market demand for natural products drove significant growth in the sale of modern Chinese medicine for the Group. Benefiting from the growing market demand for contrast agents and an increase in exports, the sales and net profit of Starry recorded a substantial increase. The returns from the Group's core business and the profit contribution from Starry helped Lansen offset numerous unfavourable factors and generated a remarkable operating result. Both the revenue and profit reached record highs.

By continuing with the implementation of its long-term strategies which focus on the autoimmune rheumatic market and establishing a complete product chain, Lansen made solid strides forward. The Company began construction of a new quality control and research and development engineering centre. The expansion of the production facilities for Pafulin and the production line for bulk pharmaceutical extraction were also in progress. Bozhou Lansen Herbal Industry Limited ("Bozhou Lansen") was established in Bozhou, Anhui Province as planned. On the other hand, Lansen actively engaged in new product development. Products under development are on schedule and they are expected to be launched progressively to the market in the coming years. In addition, Lansen strengthened cooperation with both domestic and overseas pharmaceutical enterprises and reached an exclusive agreement with Shanghai Ethypharm Pharmaceutical Co. Ltd and Ethypharm SA during the year. Under the agreement, Lansen has been granted the exclusive rights for the marketing and distribution of ketoprofen/omeprazole slow-release capsules in the PRC. Lansen was also appointed by Shanghai Jahwa United Company Limited as an exclusive distributor for all of its special skin care products under the "Yuzhe" brand through nationwide hospital channels. The above measures provided Lansen with a solid foundation for future development.

Looking forward to 2012, following the progressive implementation of the Plan by the State, China's economy will grow steadily with domestic consumption as an increasing driver for economic growth. Following the entry into the middle stage of the new health care reform, the government's investment will stimulate a continuous expansion of the pharmaceutical market and people's spending on health care will rise. The demands for drugs for "rich man's illnesses" and chronic diseases will accelerate thanks to the rising aging population and disease spectrum changes, all contributing to stable growth of the pharmaceutical market.

On 19 January 2012, the Ministry of Industry and Information Technology released the "12th Five-Year Development Plan for Pharmaceutical Industry", aiming at speeding up the structural adjustment, transformation and upgrade of the pharmaceutical industry, fostering the development of biomedical industry and promoting the growth of the pharmaceutical industry. On 2 February 2012, the Ministry of Health issued "Main Tasks for Health in 2012", with a focus on establishing a comprehensive basic health care system, consolidating and improving the national essential drug system and exploring the potential arising from features and competitive advantages of Chinese medicine. The release of a number of favourable policies shows the government's commitment to regulating and reshaping the industrial chain of the pharmaceutical industry. A variety of new measures in health care reform to promote innovation will persist. The rising protection level of medical insurance and funds spent per capita instead of the number of insured will become the major driver affecting medical insurance expenditure. The tender system as a result of the expansion of the essential drugs market will change from a price-based system to a quality-based one. Prices of Chinese herbs have begun to stabilise. Complexity of reform and uncertainty of policies will also increase. Amid the structural adjustment and industrial upgrade, the consolidation and competition in the pharmaceutical industry will intensify, presenting both opportunities and challenges.

Lansen will continue to focus on its core business of autoimmune rheumatic diseases to further consolidate its leading position in the disease modifying anti-rheumatic drugs ("DMARDs") market and to diversify its business into other areas of autoimmune rheumatic diseases. We believe that, in view of Lansen's unique position with specialisation in autoimmune rheumatic diseases and its product features, including brand recognition and an experienced management team, and within the context of the new health care reform, we possess numerous competitive advantages over others and are in a better position to capture the opportunities arising from the expansion of the pharmaceutical industry in China. The Group will also implement a series of proactive measures to consolidate and expand its position. The measures include the enhancement of cooperation with rheumatic associations, dermatological associations and the relevant specialists, further expansion into the second- and third-tier markets and the dermatological medicine sector, continuous commitment to the various foundations with an aim to increase the number of specialists and initiate new and sophisticated research in the field, expansion in educational programmes for patients, continuous extension of our brand recognition, development of sales channels to secure stable growth, in order to create a satisfactory sales result.

Lansen is also concerned about the development of its non-core business. Following the wide acceptance and global recognition of the concept of natural products and the Chinese government's effort to enhance and protect the heritage of Chinese medicines, the prospect of modern Chinese medicine business is promising. Facing the enormous potential of grass-root market and with the consolidation and improvement of the essential drug system, the sales growth of essential drugs will accelerate. As a result, the Group's generic drug business will benefit from the above factors.

Meanwhile, Lansen will accelerate the construction of a new quality control and research and development engineering centre and the expansion of the production facilities for Pafulin and production line for bulk pharmaceutical extraction in order to create a more satisfactory operating environment. Bozhou Lansen has commenced operation to create a complete industrial chain for Pafulin, improve the quality standard of products and further enhance its raw material competitiveness through cooperation and acquisitions. By optimising and improving product mix, capitalising on the economies of scale, implementing strict cost control and increasing operational efficiency, recruiting of more sales staff, implementing a series of management measures together with the overall development strategy, the Group will turn the growth of sales into profit and create strong performance returns for shareholders.

In addition, Lansen will continue to increase its product pipeline, manage the products under development, establish new projects in line with rising market demand and speed up the launch of competitive and profitable autoimmune rheumatic pharmaceuticals. The Group will continue to seek opportunities to acquire target companies and introduce overseas and domestic products with market potential, capitalise and consolidate its leading position in the DMARDs market, extend its coverage to other parts of the rheumatic drug market and selectively enter other autoimmune disease related drug markets.

Looking forward, the Group believes that Lansen's current leading position in a niche market and leading edge brand name, including the possession of a reserve of products for short, medium and long-term combined with the accumulated experience of the management team, will give Lansen an advantage in hedging against risks in the midst of the new health care reform, capturing new opportunities arising from environmental change and finally in creating an exceptional result to repay shareholders for their support.

On behalf of the Company, I take this opportunity to express my sincere gratitude to investors for their trust and support, and to our board members, management and staff for their efforts and contribution to the Group in 2011.

The board of directors (the "**Board**") of Lansen Pharmaceutical Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as "**Lansen**" or the "**Group**") for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011**	2010
		US$'000	US$'000
Revenue	*5*	**74,475**	58,607
Cost of sales		**(30,088)**	(20,174)
Gross profit		**44,387**	38,433
Other income	*5*	**2,745**	1,972
Selling and distribution expenses		**(24,796)**	(20,429)
Administrative expenses		**(8,670)**	(7,024)
Profit from operations	*7*	**13,666**	12,952
Finance costs	*8*	**(459)**	(388)
Share of post-tax profit of an associate		**1,941**	221
Profit before income tax		**15,148**	12,785
Income tax expense	*9*	**(2,695)**	(2,572)
Profit for the year		**12,453**	10,213
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**4,767**	1,600
Other comprehensive income for the year, net of tax		**4,767**	1,600
Total comprehensive income for the year		**17,220**	11,813
Profit attributable to owners of the Company		**12,453**	10,213
Total comprehensive income attributable to owners of the Company		**17,220**	11,813
Earnings per share - Basic	*11*	**3.0 cents**	2.7 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	**2011** **US$'000**	2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**22,827**	19,797
Prepaid land lease payment		**2,476**	2,413
Intangible assets		**9,907**	8,862
Goodwill		**6,824**	6,824
Interest in an associate		**27,684**	24,380
		69,718	62,276
Current assets			
Inventories		**9,576**	6,079
Trade and other receivables	*12*	**42,216**	29,283
Prepaid land lease payment		**57**	54
Pledged bank deposits		**7,286**	92
Cash and cash equivalents		**15,592**	14,827
		74,727	50,335
Total assets		**144,445**	112,611
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		**4,150**	4,150
Share premium		**58,330**	68,475
Foreign exchange reserve		**9,154**	4,387
Statutory reserve		**3,986**	1,311
Retained profits		**23,720**	13,942
Total equity		**99,340**	92,265

	Notes	**2011**	2010
		US$'000	US$'000
Non-current liabilities			
Borrowings		**9,157**	7,390
Deferred tax liabilities		**181**	394
		9,338	7,784
Current liabilities			
Borrowings		**19,226**	3,303
Current tax liabilities		**1,303**	1,147
Trade and other payables	*13*	**15,238**	8,112
		35,767	12,562
Total liabilities		**45,105**	20,346
Total equity and liabilities		**144,445**	112,611
Net current assets		**38,960**	37,773
Total assets less current liabilities		**108,678**	100,049

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Lansen Pharmaceutical Holdings Limited (the "Company") is an exempted limited liability company incorporated in 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 Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing and trading of pharmaceutical products. The principal activities of the Group are carried out in the People's Republic of China (the "PRC"). There were no significant changes in the Group's operations during the year.

The Company is a subsidiary of Cathay International Holdings Limited, a company incorporated in Bermuda and whose shares are listed on the London Stock Exchange. The directors consider the ultimate holding company to be Cathay International Enterprises Limited.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to a group reorganisation to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as 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 described 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 "Prospectus"). The Group resulting from the Group Reorganisation was regarded as a continuing entity and, accordingly, the consolidated financial statements have been prepared using the principles of merger accounting. The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2010 had been prepared on the basis as if the current group structure had been in existence throughout the year.

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards and Interpretations (hereinafter collectively referred to as "IFRSs") issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under historical cost convention. The consolidated financial statements are presented in United States Dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards and interpretations ("new and revised IFRSs") issued by the IASB.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (Revised)	Related Party Disclosures
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

Except as explained below, the adoption of these new and revised IFRSs has no material impact on the Group's financial statements.

IAS 24 (Revised) – Related Party Disclosures

IAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has revised its accounting policy for the identification of its related parties and has reassessed counterparties of transactions in accordance with the revised definition. The reassessment did not result in new related parties being identified. Related parties identified in prior years remain unchanged under the new accounting policy and the Group concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

IAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

The Group has not applied the following new and revised IFRSs, that have been issued, but are not yet effective in these financial statements.

Amendments to IFRS 1	Disclosures - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter [1]
Amendments to IFRS 7	Disclosures – Transfer of Financial Assets [1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities [4]
IFRS 9	Financial Instruments [6]
IFRS 10	Consolidated Financial Statements [4]
IFRS 11	Joint Arrangements [4]
IFRS 12	Disclosure of Interests in Other Entities [4]
IFRS 13	Fair Value Measurement [4]

Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income [3]
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets [2]
IAS 19 (as revised in 2011)	Employee Benefits [4]
IAS 27 (as revised in 2011)	Separate Financial Statements [4]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures [4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities [5]
IFRIC – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine [4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

Information on new and revised IFRSs that are expected to affect the Group is as follows:

IFRS 9 Financial Instruments
IFRS 9 issued in November 2009 is the first part of phase I of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IFRS 10 - Consolidated Financial Statements
IFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. IFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size

relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of IFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing IAS 27 on other consolidation related matters are carried forward unchanged. IFRS 10 is applied retrospectively subject to certain transitional provision.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

The directors are in the process of making an assessment of the potential impact of these new and revised IFRSs and so far concluded that the application of these new and revised IFRSs will have no material impact on the Group's financial statements.

4. CHANGES IN ACCOUNTING ESTIMATES

In previous years, technical know-how which mainly represents techniques and formulae acquired for the development and production of oral disintegrating tablets, was regarded as having indefinite useful life when it was acquired.

The Group was authorised to use the patents without any consideration during the course of production of oral disintegrating tablets pursuant to technology transfer agreements entered into by Tianjin Longbai Biological Engineering and Technology Company Limited ("Tianjin Longbai") and Ningbo Lansen Pharma Technology Company Limited dated 1 November 2005, the confirmation letter dated 1 March 2009 issued by Tianjin Longbai to Ningbo Liwah Pharmaceutical Company Limited ("Ningbo Liwah") and the supplementary technology transfer agreement entered into by Tianjin Longbai and Ningbo Liwah dated 13 June 2011. The patents had legal lives of twenty years but are renewable at a minimal cost. Tianjin Longbai intended to renew the patent continuously and evidence supports its ability to do so. An analysis of product life cycle studies and market trends provided evidence that the products would generate net cash inflows for the Group for an indefinite period.

At the end of each reporting period, the Group reviewed the carrying amount of the technical know-how to determine whether there is any indication for impairment. For the purposes of the impairment testing, the Group had performed a discounted cash flow projection internally, using weighted average cost of capital relevant to the Company as discount rate, to estimate the present value of recoverable amount of the asset and compare to the carrying amount of

the relevant technical know-how to determine any need for impairment provision. Since acquisition, there was no indication of any impairment of technical know-how.
Technical know-how mainly represented the production technology of oral fast release drugs, are currently applied in the production of other pharmaceuticals. As a result of the new health care reform in China, the impact of these policies on the autoimmune rheumatic market was relatively small compared to other pharmaceutical sectors. Strategically, the management decided to focus on its core business of autoimmune rheumatic diseases and to further consolidate its leading position in the disease modifying anti-rheumatic drugs market. Based on this strategic reason, the management engaged an external independent valuer for the purposes of impairment review solely on technical know-how.

The independent valuer had performed an in-depth study on (1) oral disintegrating tablets product life cycle studies, and (2) market, competitive and environmental trends. The valuation report indicated that the economic useful lives of the technical know-how shall be less than the original estimate. As a result, the management reconsider that the useful lives of the acquired technical know-how are no longer regarded as indefinite. The carrying amount of the technical know-how are tested for impairment in accordance with IAS 36 and amortised over its remaining useful life.

With effect from 1 July 2011, technical know-how has been amortised on a straight-line method over a period of 11 years. This change in expected useful lives increased the amortisation charge for the year by approximately US$285,000 and decreased the carrying amount of the intangible assets for the year by approximately US$285,000.

5. REVENUE AND OTHER INCOME

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

	2011 **US$'000**	2010 US$'000
Revenue from sales of goods	**74,475**	58,607
Other income		
Bank interest income	**204**	109
Government grants	**2,290**	1,859
Others	**251**	4
	2,745	1,972

The Group received grants from the local government in 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.

6. 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 resources allocation and performance assessment. Segment performance is evaluated based on the results from the reportable segments as explained in the table below.

2011

	Rheumatic specialty prescription western pharmaceuticals	**Other pharmaceuticals**	**Total**
	US$'000	**US$'000**	**US$'000**
Reportable segment revenue			
- Revenue from external customers	**49,138**	**25,337**	**74,475**
Reportable segment profit	**37,438**	**6,949**	**44,387**

2010

	Rheumatic specialty prescription western pharmaceuticals	Other pharmaceuticals	Total
	US$'000	US$'000	US$'000
Reportable segment revenue			
- Revenue from external customers	40,579	18,028	58,607
Reportable segment profit	32,152	6,281	38,433

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

	2011	2010
	US$'000	US$'000
Profit or loss		
Reportable segment profit	**44,387**	38,433
Share of post-tax profits of an associate	**1,941**	221
Other income not allocated	**2,745**	1,972
Other expenses not allocated	**(33,466)**	(27,453)
Finance costs	**(459)**	(388)
Profit before income tax	**15,148**	12,785

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

During the year, 12% (2010: 14%) of the Group's revenue was derived from a single customer in the "other pharmaceutical" segment. As at the reporting date, 27% (2010: 23%) of the Group's trade receivables was due from this customer.

The Group's revenues are divided into the following geographical areas:

	2011	2010
	US$'000	US$'000
The PRC (domicile)	**73,148**	57,512
Overseas	**1,327**	1,095
	74,475	58,607

Geographical location of customers is based on the location at which the goods are delivered. The Company is an investment holding company incorporated in Cayman Islands where the Group does not have any activities. The Group has the majority of its operations and workforce in the PRC and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by IFRS 8 "Operating Segments".

Almost all non-current assets of the Group are located in the PRC in both years.

No segment assets or segment liabilities is presented as they are not regularly provided to the executive directors.

7. PROFIT FROM OPERATIONS

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

	2011	2010
	US$'000	US$'000
Auditor's remuneration		
- Audit service	**161**	111
- Non-audit service	**-**	66
Depreciation of property, plant and equipment	**1,291**	1,050
Provision for/(Reversal of) impairment of obsolete inventories	**9**	(26)
Provision for impairment of trade receivables	**85**	153
Provision for/(Reversal of) impairment of other receivables	**9**	(440)
Net exchange gain	**(261)**	(161)
Cost of inventories recognised as expenses	**29,149**	19,922
Operating lease charges in respective of land and buildings	**479**	353
Research and development costs	**1,019**	274
Losses on disposals of property, plant and equipment	**9**	20
Write off of intangible assets	**128**	51
Amortisation of prepaid land lease payment	**61**	59
Amortisation of intangible assets	**285**	-
Staff costs (including directors' remuneration)		
- Wages and salaries	**6,276**	5,568
- Defined contribution plan	**416**	459
	6,692	6,027

8. FINANCE COSTS

	2011	2010
	US$'000	US$'000
Interest on bank borrowings wholly repayable within five years	**522**	433
Less: Interest capitalised included in construction in progress	**(63)**	(45)
	459	388

9. INCOME TAX EXPENSE

	2011	2010
	US$'000	US$'000
Current tax		
- PRC Enterprise Income Tax ("EIT")	**2,695**	2,572

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% (2010: 25%).

One of the subsidiaries operates in Shenzhen Special Economic Zone and enjoys preferential Enterprise Income Tax rates, its tax rate will increase gradually to reach the standard rate at 25% in 2012. Another subsidiary has been certified as a high technology enterprise in the PRC and enjoys a preferential Enterprise Income Tax rate of 15% from 1 January 2010.

A subsidiary of the Group is a wholly-owned foreign enterprise in accordance with the Income Tax Law of the PRC for Enterprise with Foreign Investment and Foreign Enterprises and is 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, its tax rate will reach the standard rate at 25% in 2013.

10. DIVIDENDS

	2011	2010
	US$'000	US$'000
Dividend recognised as distribution during the year:		
2011 interim dividend – HK8.05 cents (approximately US1.03 cents) per share	**4,293**	-
2010 final dividend – US1.41 cents per share	**5,852**	-
2010 special dividend – US1.80 cents per share	**-**	5,390
	10,145	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.

Final dividend of HK8.28 cents, amounting to HK$34,362,000 in aggregate (approximately US$4,424,000) in respect of the year ended 31 December 2011 (2010: final dividend of US1.41 cents in respect of the year ended 31 December 2010, amounting to US$5,852,000) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting. The proposed final dividend has not been recognised as a liability at the reporting date.

11. EARNINGS PER SHARE

The calculation of 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 year (2010: weighted average number of 374,438,356 shares on the assumption that the Group Reorganisation had been effective on 1 January 2010).

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

12. TRADE AND OTHER RECEIVABLES

	2011	2010
	US$'000	US$'000
Trade receivables	**28,665**	19,551
Less: provision for impairment of trade receivables	**(1,993)**	(1,811)
	26,672	17,740
Bills receivables	**10,438**	7,130
Trade and bills receivables	**37,110**	24,870
Prepayments and other receivables	**5,106**	4,413
	42,216	29,283

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

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

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

	2011	2010
	US$'000	US$'000
90 days or below	**36,144**	21,517
91 - 180 days	**958**	3,164
181 - 365 days	**8**	189
	37,110	24,870

13. TRADE AND OTHER PAYABLES

	2011	2010
	US$'000	US$'000
Trade payables	**8,568**	4,346
Bills payables	**632**	185
Trade and bills payables	**9,200**	4,531
Other payables and accruals	**6,038**	3,581
	15,238	8,112

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

	2011	2010
	US$'000	US$'000
90 days or below	**5,689**	3,645
91 - 180 days	**1,231**	451
181 - 365 days	**1,755**	111
Over 365 days	**525**	324
	9,200	4,531

As at 31 December 2011 and 31 December 2010, bills payables of US$632,000 and US$185,000 respectively were secured by the pledged bank deposits.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2011, China's overall economy maintained steady growth. Under the new health care reform, the pharmaceutical industry continued its rapid growth. Meanwhile, the National Development and Reform Commission (the"NDRC") issued two notices adjusting the maximum retail price of certain pharmaceuticals during the year. These actions reaffirmed the implementation of the price management reform policies. Also, 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" during the year to serve as a guideline for pilot reform across the nation. Thus far, none of Lansen's products have been 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 market sectors.

Given Lansen's well-positioned and highly specialised rheumatology product portfolio, the adverse impact caused by the current price reform has been effectively reduced. In addition, with its well-established reputation and brand recognition, Lansen also continued to benefit from the on-going industry growth. In the second half of the year, with the gradual acceptance of the various medical reform policies by the end-user market, clinical demand increased. Lansen started to benefit from the marketing and promotion strategies directed towards new markets and at the same time, its modern Chinese medicine business achieved a breakthrough in growth in part thanks to our long-term commitment to this segment. As a result, revenue of the Group for the year hit record highs. In 2011, the Company recorded a revenue of US$74.5 million, representing an increase of 27.1% over last year.

The upward trend of Chinese herbs prices started to become stable and slightly reversed at the end of the year, but still represented a significant increase as compared to last year. In spite of our accurate assessment of the market, together with reasonable allocation of capital to increase our raw material reserves, the Group still could not completely offset the impact of rising raw material prices on profit. Moreover, full implementation of the city construction tax and an educational tax surcharge for foreign-invested enterprises in 2011 also affected the profitability of the Group. Nonetheless, strong sales growth, further enhancement in effective management and a notable profit contribution from Starry offset the impact of these unfavourable factors, leading to the net profit for the year hitting a new high. In 2011, the Company recorded a net profit of US$12.5 million, representing a 21.9% growth over last year.

Thanks to the efforts of both management and staff, the Group achieved an excellent result again in 2011 with a growth in revenue and profit based on the following:

The three core rheumatic specialty prescription western pharmaceuticals of the Company provided satisfactory sales growth. 2009 to 2011 was the first three-years of the new health care reform. It started from "low levels and wide coverage" with basic medical insurance coverage to 1.3 billion people as one of the key objectives. The expansion effect of the "national health care insurance system" drove high growth in the pharmaceutical industry. With the gradual acceptance and implementation of the new health care reform policies by the end-user market, the unfavourable factors affecting the performance of the Group's core business during the first half of the year started to diminish.

Benefiting from the improvement of the operating environment due to the implementation of the above new health care reform policies, Lansen proactively enlarged the market share of Pafulin in the second- and third-tier cities and achieved some success in the treatment of dermatological diseases, coupled with the more competitive pricing of Tuoshu and the accurate product positioning of MMF, which helped lead Lansen's annual results to reach record highs due to the accelerated sales of its three core products in the second half of the year. During the year, the sales of the three core products reached US$43.4 million (58.3% of the total turnover), representing a 28.8% growth over last year. The sales in the second half of the year even resulted in a 34.8% growth when compared with those of the first half. Of which, the annual sales of Pafulin, Tuoshu and MMF amounted to US$27.6 million, US$13.7 million and US$2.1 million, representing an annual growth of 20.4%, 32.6% and 343.2% respectively. The sales of Pafulin and Tuoshu in the second half of the year increased by 33.1% and 28.1% respectively as compared to the first half. In particular, MMF, a new product launched last year, recorded a significant growth in sales, demonstrating its future potential.

A breakthrough in the sales of modern Chinese medicine, a noncore business. Benefiting from the continuous rising demand for natural products and the government's efforts to protect and promote the Chinese medicine market, this market developed rapidly in 2011. Lansen's long-standing commitment and continuous efforts contributed to a breakthrough in sales in this sector. In 2011, the revenue from modern Chinese medicine of Lansen was US$18.4 million, representing a 58.0% growth over last year and an increase from 19.8% to 24.7% as a share of total turnover, and an increase of 76.0% in the second half of the year over the first half of the year.

The sound results from Starry yielded a fruitful investment return. Starry, whose 20% equity interest was successfully acquired by the Group in November 2010, achieved an impressive operating result during the year. Benefiting from the growing market demand in China and the increased exports, the contrast agents of Starry achieved not only satisfactory sales growth, but also a substantial increase in the gross profit. As a result, Starry contributed net profit after tax of approximately US$1.9 million during the year, and became a major driver of profit growth for the Group.

The above factors contributed to the Group's attractive results during the year.

Financial Review

Revenue

The Group recorded a revenue of US$74.5 million (2010: US$58.6 million) for the year ended 31 December 2011, representing an increase of 27.1% over last year. For the year ended 31 December 2011, revenue from rheumatic specialty prescription western pharmaceuticals amounted to US$49.1 million (2010: US$40.6 million), representing an increase of 21.1% over last year, while revenue from other pharmaceuticals amounted to US$25.3 million (2010: US$18.0 million), representing an increase of 40.5% over last year.

The increase in the Group's revenue during the year was mainly attributable to: (1) stable growth in income from its two core rheumatic specialty prescription western pharmaceuticals, Pafulin and Tuoshu; (2) the fast growth of MMF, an agency product launched last year; and (3) sustained development of modern Chinese medicine business.

Following further implementation of the new health care reform by the Chinese government, the coverage of medical insurance is rising, which will promote further expansion and persistent growth of the pharmaceutical market. The Group continues to develop its sales and distribution network in second- and third-tier cities and strengthen the close cooperation with rheumatic associations and specialists. This resulted in the stable growth of the Group's rheumatic specialty prescription products. The revenue for Pafulin amounted to US$27.6 million (2010: US$22.9 million), representing an increase of 20.4% over last year, accounting for 37.1% of total revenue of the Group. The revenue for Tuoshu amounted to US$13.7 million (2010: US$10.3 million), representing an increase of 32.6% over last year, accounting for 18.4% of total revenue of the Group.

Benefiting from the rising demand for natural products and the government's efforts to protect and promote Chinese medicines, the modern Chinese medicine market developed rapidly in 2011. Revenue for modern Chinese medicine business amounted to US$18.4 million (2010: US$11.6 million), representing an increase of 58.0% over last year, accounting for 24.7% of total revenue of the Group.

Gross profit

For the year ended 31 December 2011, the Group recorded a gross profit of US$44.4 million (2010: US$38.4 million), representing an increase of approximately 15.5% over last year.

For the year ended 31 December 2011, the overall gross profit margin of the Group was 59.6% (2010: 65.6%), representing a decrease of approximately 6.0% over last year. The gross profit margin of rheumatic specialty prescription western pharmaceuticals was 76.2% (2010: 79.2%), representing a decrease of approximately 3.0% over last year. The gross profit margin of other pharmaceuticals was 27.4% (2010: 34.8%), representing a decrease of approximately 7.4% over last year.

The decrease in gross profit margin was mainly attributable to: (1) the change in product sales structure, the sales proportion of other pharmaceuticals which have lower gross profit margin to total Group's sales increased from 30.8% in 2010 to 34.0% in 2011; (2) the increase in raw material and packaging material prices as compared to last year, resulting in an increase in production costs; (3) the imposition of a city construction tax and an educational tax surcharge by the state resulted in an increase in the cost of sales, and in return, a decrease in gross profit margin; and (4) the promulgation of more regulatory requirements and quality standards by the State Food and Drug Administration lead to increased production costs as the Group was required to enhance the quality and production process of certain products.

Other income

Other income, primarily included government grants and interest income from bank deposits, amounted to US$2.7 million (2010: US$2.0 million) for the year ended 31 December 2011, representing an increase of 39.2% over last year. The increase was mainly attributable to increased grants from the local government partly as recognition of the Group's efforts in developing high-technology pharmaceutical products.

Selling and distribution expenses

Selling and distribution expenses primarily consisted of (1) promotion costs through organising seminars, conferences and related expenses; (2) staff costs; and (3) rental expenses. For the year ended 31 December 2011, selling and distribution expenses amounted to US$24.8 million (2010: US$20.4 million), representing an increase of 21.4% over last year.

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

Furthermore, the Group launched a new product, MMF, to the market last year. In order to further enhance the popularity and market recognition of this product, the Group put more effort into marketing and promotion during the year. By organising academic conferences throughout China, doctors and patients were able to have a better understanding of the pharmacology, efficacy and benefits of this product.

The proportion of selling and distribution expenses to total revenue of the Group declined from 34.9% in 2010 to 33.3% in 2011. The decrease was mainly attributable to the growth in operating efficiency of the Group.

Administrative expenses

Administrative expenses for the year ended 31 December 2011 amounted to US$8.7 million (2010: US$7.0 million), representing an increase of 23.4% over last year. The increase in administrative expenses was mainly due to the expansion of the Group's scale of operation.

Finance costs

Finance costs for the year ended 31 December 2011 amounted to US$0.5 million (2010: US$0.4 million), representing an increase of 18.3% over last year. The increase in finance costs was mainly attributable to the increase in the average bank borrowings for the year.

Share of post-tax profit of an associate

Share of post-tax profit of an associate for the year ended 31 December 2011 amounted to US$1.9 million (2010: US$0.2 million), representing an increase of 778.3% over last year. Starry was deemed to be an associate of the Group following the successful acquisition of its 20% equity interest in November 2010 by the Group. Its financial results were thus consolidated into the Group's financial statements by using the equity accounting method. The substantial increase in the share of post-tax profit of an associate is mainly due to the fact that only about one month's results were accounted for the year ended 31 December 2010 after the acquisition.

Income tax expense

Ningbo Liwah obtained the certification as a high technology enterprise and enjoyed a preferential income tax rate of 15% from 1 January 2010. The Group's income tax expense for the year ended 31 December 2011 amounted to US$2.7 million, representing an increase of 4.8% as compared to US$2.6 million over last year. The increase was mainly attributable to the increase in earnings. The Group's effective income tax rate was 17.8% (2010: 20.1%).

Profit attributable to owners of the Company

The profit or net profit attributable to owners of the Company for the year ended 31 December 2011 grew by 21.9% or US$2.2 million to US$12.5 million as compared to US$10.2 million over last year.

Liquidity, financial resources and capital structure

The Group primarily finances its working capital and other capital requirements by net cash generated from operating activities and resorts to external financing including both long-term and short-term bank borrowings from time to time when the operating cash flow is insufficient to meet the capital requirements.

The Group's financial position continued to be strong. As at 31 December 2011, net current assets and current ratio of the Group were approximately US$39.0 million (2010: US$37.8 million) and 2.1 (2010: 4.0) respectively.

As at 31 December 2011, the Group's cash and cash equivalents amounted to US$15.6 million (2010: US$14.8 million). As at 31 December 2011, the Group had pledged bank deposits of US$7.3 million (2010: US$0.1 million) to secure bank borrowings and bills payables.

The Group's borrowings as at 31 December 2011 amounted to US$28.4 million (2010: US$10.7 million), of which US$19.2 million is repayable within 1 year and US$9.2 million is repayable after 1 year but within 5 years (2010: US$3.3 million is repayable within 1 year and US$7.4 million is repayable after 1 year but within 5 years).

As at 31 December 2011, the Group's net debt-to-equity ratio was 5.5% (2010: nil), calculated by net debt as at 31 December 2011 over total equity.

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 arise.

Charges on assets

As at 31 December 2011, certain bank deposits, building and plant, and prepaid land lease payment in an aggregate carrying amount of US$16.2 million (2010: US$4.1 million) were pledged to secure banking facilities and bank borrowings.

Capital commitment

As at 31 December 2011, the Group's capital expenditure contracted for but not provided in the financial statements amounted to US$5.2 million (2010: US$1.5 million).

Contingent liabilities

As at 31 December 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 year ended 31 December 2011.

Use of proceeds from Initial Public Offering

On 7 May 2010, the Company was successfully listed on the Stock Exchange. The net proceeds received by the Company from the IPO was approximately HK$408.3 million (equivalent to approximately US$52.5 million).

The proceeds have been partially applied during the period from the listing date to 31 December 2011, the use of which was consistent with the intended use as disclosed in the Prospectus, namely for product development and research, funding the acquisition of pharmaceutical companies and/or purchase of production technologies or product approvals, improving production capacity, expansion of sales and distribution network and as general working capital.

Human resources

The Group had over 700 employees as at 31 December 2011. Staff remuneration of the Group, including salary, allowances, medical insurance and provident fund, is determined with reference to individual performance and the Company's results, professional qualifications, experience in the industry and relevant market trends.

Salaries of employees have been maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and economic situation. The Group provides career advancement 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

Final dividend and closure of register of members

On 29 March 2012, the Board recommended that subject to Shareholders' approval in the forthcoming Annual General Meeting (the "**AGM**"), the Company shall declare and distribute a final dividend of HK8.28 cents per Share for the year ended 31 December 2011 to those Shareholders whose names appear on the register of members of the Company at the close of business on 28 May 2012.

The Board further resolved that the register of members of the Company shall be closed:

(1) from 10 May 2012 to 14 May 2012, both days inclusive, during which period no transfer of Shares will be registered for the purpose of ascertaining the Shareholders entitled to vote in the AGM; and

(2) from 29 May 2012 to 31 May 2012, both days inclusive, during which period no transfer of Shares will be registered for the purpose of ascertaining the Shareholders entitled to the final dividend to be approved at the AGM.

To qualify for the final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar for registration no later than 4:30 p.m. on 28 May 2012. Shareholders whose names appear of the register of members of the Company on 28 May 2012 will be entitled to the final dividend, which, if approved, will be paid on or around 15 June 2012

Purchase, sale or redemption of listed securities

During the year ended 31 December 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

For the year ended 31 December 2011, the Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules.

Compliance with the Model Code by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company.

Review of audited 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 annual results for the year ended 31 December 2011 have been reviewed by the audit committee together with the management of the Company.

Scope of work of BDO Limited

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board, and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

Publication of the annual results and annual 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 annual report of the Company for the year ended 31 December 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 year.

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

Hong Kong, 29 March 2012

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