LANSEN PHARMACEUTICAL HOLDINGS LIMITED

朗生醫藥控股有限公司

(incorporated in Cayman Islands with limited liability)

(Stock code: 503)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2012	2011	Change
Results (US$'000):			
Revenue	41,394	31,005	33.5%
Gross Profit	23,449	19,076	22.9%
Profit from operation before research and development expenses and amortisation of intangible assets	7,806	6,514	19.8%
Profit from operations	7,105	6,316	12.5%
Profit before income tax	7,394	7,293	1.4%
Profit attributable to owners of the Company	6,200	6,136	1.0%
Profitability:			
Gross profit margin	56.6%	61.5%	-4.9%
Net profit margin	15.0%	19.8%	-4.8%
Basic earnings per share (US cents)	1.5	1.5	-

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 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	**Six months ended 30 June 2012 US$'000 (unaudited)**	Six months ended 30 June 2011 US$'000 (unaudited)
Revenue	*5*	**41,394**	31,005
Cost of sales		**(17,945)**	(11,929)
Gross profit		**23,449**	19,076
Other income	*5*	**1,333**	1,339
Selling and distribution expenses		**(12,888)**	(10,442)
Administrative expenses		**(4,789)**	(3,657)
Profit from operations	*7*	**7,105**	6,316
Finance costs	*8*	**(395)**	(149)
Share of post-tax profit of an associate		**684**	1,126
Profit before income tax		**7,394**	7,293
Income tax expense	*9*	**(1,194)**	(1,157)
Profit for the period		**6,200**	6,136
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(996)**	1,952
Other comprehensive income for the period, net of tax		**(996)**	1,952
Total comprehensive income for the period		**5,204**	8,088
Profit attributable to owners of the Company		**6,200**	6,136
Total comprehensive income attributable to owners of the Company		**5,204**	8,088
Earnings per share - Basic	*11*	**1.5 cents**	1.5 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 JUNE 2012

	Notes	**30 June 2012 US$'000 (unaudited)**	31 December 2011 US$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**26,142**	22,827
Prepaid land lease payment		**2,422**	2,476
Intangible assets		**10,149**	9,907
Goodwill		**6,824**	6,824
Interest in an associate		**28,112**	27,684
		73,649	69,718
Current assets			
Inventories		**11,356**	9,576
Trade and other receivables	*12*	**47,742**	42,216
Prepaid land lease payment		**57**	57
Pledged bank deposits		**3,493**	7,286
Cash and cash equivalents		**5,756**	15,592
		68,404	74,727
Total assets		**142,053**	144,445
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		**4,150**	4,150
Share premium		**53,906**	58,330
Foreign exchange reserve		**8,158**	9,154
Statutory reserve		**3,986**	3,986
Retained profits		**29,920**	23,720
Total equity		**100,120**	99,340

	Notes	**30 June 2012 US$'000 (unaudited)**	31 December 2011 US$'000 (audited)
Non-current liabilities			
Borrowings		**2,047**	9,157
Deferred tax liabilities		**183**	181
		2,230	9,338
Current liabilities			
Borrowings		**23,581**	19,226
Current tax liabilities		**998**	1,303
Trade and other payables	*13*	**15,124**	15,238
		39,703	35,767
Total liabilities		**41,933**	45,105
Total equity and liabilities		**142,053**	144,445
Net current assets		**28,701**	38,960
Total assets less current liabilities		**102,350**	108,678

NOTES TO THE CONDENSED CONSOLIDATED 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").

2. BASIS OF PREPARATION

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 provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Financial Statements do not include all of the information required in annual financial statements in accordance with 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), and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2011.

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 2011.

The Interim Financial Statements are unaudited, but have been reviewed by BDO Limited 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations ("new or revised IFRSs") issued by the IASB.

The application of the new or revised IFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in theses condensed consolidated financial statements.

The Group has not early applied the following new or revised standards and interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Annual Improvement 2009-2011 Cycle [2]
IFRS 1 (Amendments)	Government Loans [2]
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
IFRS 9	Financial Instruments [4]
IFRS 10	Consolidated Financial Statements [2]
IFRS 11	Joint Arrangements [2]
IFRS 12	Disclosure of Interests in Other Entities [2]
IFRS 13	Fair Value Measurement [2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income [1]
IAS 19 (as revised in 2011)	Employee Benefits [2]
IAS 27 (as revised in 2011)	Separate Financial Statements [2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures [2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities [3]
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine [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
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2011.

5. 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 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)
Revenue from sales of goods	**41,394**	31,005
Other income		
Bank interest income	**192**	120
Government grants	**1,053**	1,160
Others	**88**	59
	1,333	1,339

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.

Six months ended 30 June 2012

	Rheumatic specialty prescription western pharmaceuticals US$'000 (unaudited)	**Other pharmaceuticals US$'000 (unaudited)**	**Total US$'000 (unaudited)**
Reportable segment revenue			
- Revenue from external customers	**25,320**	**16,074**	**41,394**
Reportable segment profit	**19,043**	**4,406**	**23,449**

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

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:

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)
Profit or loss		
Reportable segment profit	**23,449**	19,076
Share of post-tax profits of an associate	**684**	1,126
Other income not allocated	**1,333**	1,339
Other expenses not allocated	**(17,677)**	(14,099)
Finance costs	**(395)**	(149)
Profit before income tax	**7,394**	7,293

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.

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):

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)
Depreciation of property, plant and equipment	**725**	621
Reversal of impairment of obsolete inventories	**(30)**	(13)
Provision for impairment of trade receivables	**306**	149
Provision for impairment of other receivables	**16**	10
Net exchange losses / (gain)	**22**	(179)
Research and development costs	**411**	198
(Gain) / Losses on disposal of property, plant and equipment	**(6)**	5
Amortisation of prepaid land lease payment	**31**	30
Amortisation of intangible assets	**290**	-

8. FINANCE COSTS

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)
Interest on borrowings wholly repayable within five years	**575**	149
Less: Interest capitalised included in construction in progress	**(180)**	-
	395	149

9. INCOME TAX EXPENSE

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)
Current tax		
- PRC Enterprise Income Tax ("EIT")	**1,194**	1,157

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 2011: 25%).

One of the subsidiaries operates in Shenzhen Special Economic Zone and enjoys preferential Enterprise Income Tax rate, its tax rate has been increased to the standard rate at 25% in 2012. Another subsidiary has been certified as a new high technology enterprise in the PRC and enjoys a preferential Enterprise Income Tax rate of 15% starting from 1 January 2011.

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

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)
Dividend recognised as distribution during the period:		
2011 final dividend – HK8.28 cents (approximately US1.07 cents) per share	**4,424**	-
2010 final dividend – US1.41 cents per share	**-**	5,852
	4,424	5,852

Subsequent to the end of the current interim period, the directors have declared an interim dividend of HK8.11 cents (approximately US1.05 cents) per share, totaling HK$33,656,500 (approximately US$4,338,000) for the six months ended 30 June 2012, to the shareholders whose names appear in the register of members of the Company on 12 September 2012. The declared interim dividend has not yet been accounted in the current period's financial statement but will be reflected in the financial statements for the year ending 31 December 2012.

11. 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 2011: 415,000,000 shares).

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

12. TRADE AND OTHER RECEIVABLES

	30 June 2012 US$'000 (unaudited)	31 December 2011 US$'000 (audited)
Trade receivables	**29,072**	28,665
Less: provision for impairment of trade receivables	**(1,606)**	(1,993)
	27,466	26,672
Bills receivables	**11,696**	10,438
Trade and bills receivables	**39,162**	37,110
Prepayments and other receivables	**8,580**	5,106
	47,742	42,216

The Group has a policy of allowing an average credit period of 90 days to its customers (2011: 90 days).

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

	30 June 2012 US$'000 (unaudited)	31 December 2011 US$'000 (audited)
90 days or below	**34,822**	36,144
91 – 180 days	**4,340**	958
181 – 365 days	**-**	8
	39,162	37,110

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.

As at 30 June 2012, the Group has discounted certain of its bills receivables of approximately US$241,000 (31 December 2011: US$961,000) to a bank in exchange for cash with recourse in the ordinary course of business. The Group continues to recognise the full carrying amount of the discounted bills receivable as financial assets and has recognised the cash received from discounting the bills as financial liabilities, namely bank advances for discounted bills which are included in borrowings.

As at 30 June 2012, certain other receivables with a carrying amount of US$3,242,000 (31 December 2011: nil) were pledged to secure bank borrowings. The receivables will mature on 24 May 2013 and 31 May 2013 and carry interests at 1.8% per annum and ranging from 3.5% to 4.4% per annum respectively.

13. TRADE AND OTHER PAYABLES

	30 June 2012 US$'000 (unaudited)	31 December 2011 US$'000 (audited)
Trade payables	**10,155**	8,568
Bills payables	**530**	632
Trade and bills payables	**10,685**	9,200
Other payables and accruals	**4,439**	6,038
	15,124	15,238

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 2012 US$'000 (unaudited)	31 December 2011 US$'000 (audited)
90 days or below	**7,104**	5,689
91 – 180 days	**1,604**	1,231
181 – 365 days	**926**	1,755
Over 365 days	**1,051**	525
	10,685	9,200

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a revenue of approximately US$41.4 million (30 June 2011: US$31.0 million) for the six months ended 30 June 2012, representing an increase of 33.5% over the corresponding period last year. Revenue generated from rheumatic specialty prescription western pharmaceuticals amounted to US$25.3 million (30 June 2011: US$20.9 million), representing a rise of 21.0% over the corresponding period last year, which was primarily due to the stable growth of the three core rheumatic specialty prescription products.

Lansen's operating profits increased by 12.5% over the corresponding period last year to US$7.1 million (30 June 2011: US$6.3 million). The selling expenses for the period rose by 23.4%, mainly for enhancing product awareness and market recognition of the core products. By improving operating efficiency, the proportion of the selling expenses to revenue decreased by 2.5% to 31.1% (30 June 2011: 33.7%). Administrative expenses for the period rose by 31.0%, which was mainly caused by increased research and development expenses and amortisation of intangible assets. In line with the Group's plan to devote more investment to strengthen its product research and development capability, the research and development expenses increased by 107.6% over the corresponding period last year.

Looking back at the first half of 2012, the Group's revenue experienced steady growth. Profit from operations before research and development expenses and amortisation of intangible assets increased by 19.8% over the corresponding period last year to US$7.8 million (30 June 2011: US$6.5 million). The increase in other expenses was within expected and reasonable levels. However, the increase in raw material costs and the changes in our product sales mix that dragged down the gross profit margin combined with the downturn in the results of our associate, Zhejiang Starry Pharmaceutical Company Limited ("Starry"), were the key factors resulting in the decrease in the growth of our profits. Profit for the period was approximately US$6.2 million (30 June 2011: US$6.1 million), representing a slight increase of 1.0% over the corresponding period last year.

China's medical reform policy and environment present both opportunities and challenges

During 2012, the National Development and Reform Commission (the "NDRC") further adjusted the price of pharmaceuticals. Following the significant adjustment on the prices of gastrointestinal drugs in March, a new round of price reduction policies will be announced in the second half of the year. The pharmaceuticals manufactured and distributed by Lansen were fortunately not within the scope of the March reduction, and we do not expect the Company will be impacted by the next reduction in 2012.

Meanwhile, medical insurance expenditure under the central health budget rose substantially to improve the health care system so as to expand medical insurance coverage to meet the ever-increasing primary medication demand. Such a move brought new opportunities to all pharmaceutical enterprises and became a key driver for the development of the pharmaceutical industry.

When facing pressure arising from price reduction and to take advantage of new opportunities, the Group conformed on a timely basis with State policies and regulations, actively strengthened its marketing strategies and strived to enhance its market penetration in order to maintain its leading position in rheumatology.

Core product portfolio drove sales. Sales of modern Chinese medicine also showed a strong upward trend

The core products of the Group include Pafulin (total glucosides of white peony capsules), Tuoshu (Leflunomide tablets) and MMF (Mycophenolate Mofetil). All three products are disease modifying drugs for autoimmune rheumatic diseases and have already been included in the Medical Insurance Catalogue. With different marketing tactics emphasising the combination of these three drugs for treatments, i.e., using Tuoshu or MMF together with Pafulin, helped enhance clinical efficacy and also facilitated stable sales growth.

During the reporting period, the Company benefited from the growth of overseas business and generally increasing demand for natural products. This resulted in a large increase in the sales of the modern Chinese medicine with a record high in revenue of US$11.2 million, representing an increase of 68.6% over the corresponding period last year.

Decline in Starry's first half year results

Starry completed the expansion of its iohexol production facilities, doubling the annual capacity to 500 tonnes. Due to the delay in receiving the GMP certification on these expanded facilities and increased costs, contribution from Starry decreased during the period. This situation will be reversed and Starry is expected to increase contribution in the second half of 2012.

Breakthrough in new product development

During the period, the State Food and Drug Administration granted the approval for Loxoprofen Sodium tablets, the non-steroidal anti-inflammatory drugs (NSAIDs), which will be launched into the market in the second half of the year. The launch of this product will not only enrich the Group's product lines, but also provide more treatment alternatives to both doctors and patients. It will also facilitate the development of the Group.

Opening of new QC building

Following the successful completion and inspection in May 2012, the building is under normal operation and implementing safety and quality control measures pursuant to the new GMP requirements issued by the State. The opening of the new QC building will further upgrade the scale, production quality and also the management standard of the Group.

Pafulin received technology endorsement

In January 2012, Pafulin was awarded a "National Torch Programme Certificate" issued by the Ministry of Science and Technology of the People's Republic of China. This is Pafulin's second national achievement.

Outlook

Moving forward, Lansen will focus on enhancing its proven sales and marketing strategies, strengthening its R&D and production capabilities and optimising its product portfolio. Management believes that these strategies would help Lansen expand revenue and deliver sustainable long-term growth for the shareholders. The main growth strategies of Lansen are as follows:

To enhance sales and marketing strategies

Lansen will continue to develop its successful business model in order to maintain its competitive advantage. Meanwhile, the Group will keep on establishing brand awareness of its products by organising academic promotions and seminars; providing professional trainings to the sales and marketing teams in order to enhance their product knowledge and professionalism; as well as implementing different marketing strategies to address the specific needs and features of different markets and hospitals, in order to expedite the expansion into the second- or third- tier cities and the development of the existing markets.

To strengthen R&D and production capabilities

By increasing its investment in the R&D team and focusing on the development of key research projects, Lansen will strengthen its R&D product development capabilities and accelerate the R&D progress. It will also solidify its market position by developing new medicines to enrich its product portfolio.

The Group has commenced the expansion of the production facilities for Pafulin and the production line for bulk pharmaceutical extraction in Ningbo in 2011, which is expected to be completed within this year, with the aim of further optimising production and management efficiency, and thereby coping with the needs for more products and future business expansion.

To explore new product areas to enrich portfolio

At present, the core products of the Group are disease modifying drugs for autoimmune rheumatic diseases. The launching of Loxoprofen Sodium tablets, a new non-steroidal anti-inflammatory drug for Lansen, will lead the Group into a new but associated treatment field. Through acquisitions, agency business and research and development, the Group will explore other disease modifying and autoimmune drugs, while at the same time consider the introduction of biological agents by joining force with both domestic and overseas pharmaceutical enterprises, gradually forming a pyramidal product structure and accordingly realising a more extensive product portfolio.

Financial Review

Revenue

The Group recorded a revenue of US$41.4 million (30 June 2011: US$31.0 million) for the six months ended 30 June 2012, representing an increase of 33.5% over the corresponding period last year. For the six months ended 30 June 2012, revenue from rheumatic specialty prescription western pharmaceuticals amounted to US$25.3 million (30 June 2011: US$20.9 million), representing an increase of 21.0% over the corresponding period last year, while revenue from other pharmaceuticals amounted to US$16.1 million (30 June 2011: US$10.1 million), representing an increase of 59.5% over the corresponding period last year.

The increase in the Group's revenue during the period was mainly attributable to: (1) stable growth of income from its two core rheumatic specialty prescription western pharmaceuticals, Pafulin and Tuoshu; (2) the fast growth of MMF, an agency product launched in 2010; and (3) continued development of modern Chinese medicine business. The aggregate revenue from the three core products (Pafulin, Tuoshu and MMF) amounted to US$23.3 million (30 June 2011: US$18.5 million), increased by 25.7% as compared to the corresponding period last year and representing approximately 56.2% of the total revenue of the Group. Revenue from modern Chinese medicine extracts was US$11.2 million (30 June 2011: US$6.7 million), amounting to an increase of 68.6% over the corresponding period last year and representing approximately 27.1% of the total revenue of the Group.

Gross Profit

For the six months ended 30 June 2012, the Group recorded a gross profit of US$23.4 million (30 June 2011: US$19.1 million), representing an increase of 22.9% over the corresponding period last year.

For the six months ended 30 June 2012, the overall gross profit margin of the Group was 56.6% (30 June 2011: 61.5%), representing a decrease of 4.9% over the corresponding period last year. The gross profit margin of rheumatic specialty prescription western pharmaceuticals was 75.2% (30 June 2011: 77.0%), representing a decrease of approximately 1.8% over the corresponding period last year. The gross profit margin of other pharmaceuticals was 27.4% (30 June 2011: 29.4%), representing a decrease of approximately 2.0% over the corresponding period last year.

The decrease in gross profit margin was mainly attributable to: (1) the change in product sales mix, under which the sales proportion of other pharmaceuticals, which have lower gross profit margin, to the Group's total sales increased from 32.5% as at 30 June 2011 to 38.8% as at 30 June 2012; (2) the increase in raw material and packaging material prices as compared to the corresponding period last year, resulting in an increase in production costs.

Selling and distribution expenses

For the six months ended 30 June 2012, the selling and distribution expenses of the Group increased by 23.4% to US$12.9 million from US$10.4 million in the corresponding period last year. It is mainly due to an increase in marketing and promotion expenses along with the rise in sales of the Group's products, and increments of salaries and benefits payable to the marketing and sales staff whose number was increased to cope with the growing product sales. Driven by the scale of economy, the proportion of the selling and distribution expenses of the Group to the total revenue of the Group declined by 2.5% to 31.1% as compared to 33.7% in the corresponding period last year.

Finance costs

For the six months ended 30 June 2012, the finance costs of the Group increased to US$0.4 million, mainly due to increase in average bank borrowings.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2012 grew by 1.0% or US$0.1 million to US$6.2 million as compared to US$6.1 million over the corresponding period 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 capital requirements.

As at 30 June 2012, net current assets and current ratio of the Group were approximately US$28.7 million (31 December 2011: US$39.0 million) and 1.7 (31 December 2011: 2.1) respectively.

As at 30 June 2012, the Group's cash and cash equivalents amounted to US$5.8 million (31 December 2011: US$15.6 million). As at 30 June 2012, the Group had pledged bank deposits of US$3.5 million (31 December 2011: US$7.3 million) to secure bank borrowings and bills payables.

During the period, subsidiaries of the Group had entered into agreements with certain financial institutions to carry out short-term investments by utilising part of the deposits so as to gain considerable returns. The short-term investments, with the principal of approximately US$3.2 million, included notes bearing fixed interests and capital guaranteed investment products offered by banks and was recognised as other receivables in the condensed consolidated statement of financial position of the Group as at 30 June 2012.

The Group's borrowings as at 30 June 2012 amounted to US$25.6 million (31 December 2011: US$28.4 million), of which US$23.6 million is repayable within 1 year and US$2.0 million is repayable after 1 year but within 5 years (31 December 2011: US$19.2 million is repayable within 1 year and US$9.2 million is repayable after 1 year but within 5 years). As at 30 June 2012, the Group's net debt-to-equity ratio was 13.1% (31 December 2011: 5.5%), calculated by net debt as at 30 June 2012 over total equity.

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

Charges on Assets

As at 30 June 2012, certain bank deposits, other receivables, buildings and plants, and prepaid land lease payments in an aggregate carrying amount of US$15.4 million (31 December 2011: US$16.2 million) were pledged to secure banking facilities and bank borrowings.

Capital commitment

As at 30 June 2012, the Group's capital expenditure contracted for but not provided in the financial statements amounted to US$4.2 million (31 December 2011: US$5.2 million).

Contingent liabilities

As at 30 June 2012, the Group did not have any material contingent liabilities.

Material acquisitions and disposals

There were no material acquisitions and disposals of any subsidiary and associate of the Group during the six months ended 30 June 2012.

Human resources

The Group had over 700 employees as at 30 June 2012. Staff remuneration of the Group, including salary, allowances, medical insurance and provident fund, is determined with reference to individual performance, professional qualifications, experience 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 career advancement training to its staff in the form of internal courses and workshops and encourages them 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 HK8.11 cents (30 June 2011: HK8.05 cents) per share for the six months ended 30 June 2012 to the shareholders listed in the register of members of the Company as at the close of business on 12 September 2012. The interim dividends will be distributed on or about 25 September 2012 to the shareholders.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 13 September 2012 to Monday, 17 September 2012 (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 not later than 4:30 p.m. on Wednesday, 12 September 2012.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2012, 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 2012, 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") except with a deviation from paragraph A.5 of the Code. Under paragraph A.5 of the Code, the Company should establish a Nomination Committee with specific written terms of reference which deal clearly with its authority and duties. Currently, the Company had not established a Nomination Committee and had retained the functions with the Remuneration Committee.

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 standard 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 2012 have been reviewed by the Audit Committee 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 2012 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, 29 August 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.