



VENTUREPHARM LABORATORIES LIMITED

萬 全 科 技 藥 業 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8225)

**INTERIM REPORT 2010
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**for identification only*

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

Characteristics of the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

This report, for which the directors (the “Directors”) of Venturepharm Laboratories Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



VENTUREPHARM LABORATORIES LIMITED

萬全科技藥業有限公司

(Incorporated in the Cayman Islands with limited liability)

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The Directors are pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010, together with the comparative figures.

HIGHLIGHTS

1. The Group achieved a turnover of RMB 25,790,000 for the six months ended 30 June 2010 representing an increase of approximately 33% compared with that of the corresponding period in 2009 (incl. 56% increase of Contracted pharmaceutical development and clinical research services outsourced by customers). The Group accomplished total revenue of RMB 28,968,000 representing an increase of approximately 12% compared with that of the corresponding period in 2009.
2. The Group achieved profit from operations of RMB 2,757,000 for the six months ended 30 June 2010 representing an increase of approximately 31% compared with that of the corresponding period in 2009. The Group achieved a net profit of RMB 7,365,000 for the six months ended 30 June 2010 representing an decrease of approximately 27% compared with that of the corresponding period in 2009.
3. Basic earnings per share amounted to RMB2.03 cent for the six months ended 30 June 2010.
4. The Group has got 9 new Clinical Study Approval and 2 new Manufacturing Approval by SFDA granted in the past six months of 2010. The total number of Clinical Study Approval has reached 323 and the total number of Manufacturing Approvals has climbed up to 130, also the Group had submitted 323 patent applications, among which 50 has gain authorized.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2010	2009	2010	2009
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	12,965	7,705	25,790	19,449
Cost of sales		(8,043)	(4,168)	(15,663)	(11,357)
Gross profit		4,922	3,537	10,127	8,092
Administrative expenses	4	(4,168)	(2,992)	(7,370)	(5,992)
Profit from operations		754	545	2,757	2,100
Other income		3,220	(566)	3,178	6,412
Finance costs		2,191	2,150	1,430	1,369
Profit before taxation		6,165	2,129	7,365	9,881
Income tax		157	253	0	191
Profit for the year		6,322	2,382	7,365	10,072
Attributable to :					
Equity holders of the Company		6,174	2,340	7,320	10,148
Minority interests		148	42	45	(76)
Profit for the year		6,322	2,382	7,365	10,072
Earnings per share (cent)					
- basic	6	1.74	0.65	2.03	2.81
- diluted	6	1.70	0.53	2.01	2.30

CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30 June 2010	31 December 2009
Notes	RMB'000	RMB'000	
Non-current assets			
Property, plant and equipment	9,090	9,646	
Deferred tax assets	7,720	8,332	
New drugs technology	9,203	9,704	
	26,013	27,682	
Current assets			
Work-in-progress	56,513	59,134	
Trade receivables	27,458	13,619	
Other receivables, deposits and prepayments	37,059	42,735	
Financial assets at fair value through profit or loss	60,308	52,230	
Cash and cash equivalents	1,659	3,044	
	182,997	170,762	
Current liabilities			
Trade and other payables	10,433	10,907	
Receipt in advance	782	3,618	
Income tax liabilities	1,501	2,129	
	12,716	16,654	
Net current assets	170,281	154,108	
Total assets less current liabilities	196,294	181,790	
Non-current liabilities	76,025	65,363	
Net assets	120,269	116,427	
Capital and reserves			
Share capital	38,469	38,407	
Reserves	80,226	76,477	
Total equity attributable to equity shareholders of the Company	118,695	114,884	
Minority interests	1,574	1,543	
Total equity	120,269	116,427	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Net cash used in operating activities	(12,969)*	(4,312)
Net cash used in investing activities	698	(337)
Net cash generated from financing activities	(157)	1,189
Net decrease in cash and cash equivalents	(12,428)	(3,460)
Cash and cash equivalents at beginning of the period	<u>14,087</u>	<u>6,504</u>
Cash and cash equivalents at end of the period	<u><u>1,659</u></u>	<u><u>3,044</u></u>

* The decrease of Net cash used in operating activities compared with that of the corresponding period in 2009 is reasoned by prepayment of RMB 8,400,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share-based		Available-for-sale Financial		Statutory enterprise		Statutory fund		Retained	Minority	Total
	Share capital	Payment reserve	Assets reserve	Special Reserve	Capital reserve	Statutory reserve	expansion	earnings		interest	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	38,407	2,766		6,039	1,186	3,803	6,986	45,549		1,620	106,356
New issue of shares											
Profit for the period								10,148		(76)	10,072
At 30 June 2009	38,407	2,766		6,039	1,186	3,803	6,986	55,697		1,544	116,428
Profit for the period	62	180	-	-	273	-	-	(3,872)		(167)	(3,524)
At 1 January 2010	38,469	2,946		6,039	1,459	3,803	6,986	51,825		1,377	112,904
Profit for the period	-	-	-	-	-	-	-	7,320		45	7,365
At 30 June 2010	38,469	2,946		6,039	1,459	3,803	6,986	59,145		1,422	120,269

NOTES TO THE FINANCIAL STATEMENTS

1. Group reorganization

The Company was incorporated in the Cayman Islands on 21 May 2002 as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands. Its shares have been listed on the GEM of the Stock Exchange since 10 July 2003 (the "Listing Date").

Pursuant to a group reorganization to rationalize the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 31 Mar 2003 (the "Group Reorganization").

2. Accounting policies and basis of preparation

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) HKAS 34 Interim Financial Reporting. In addition, the financial statements comply with the applicable disclosure provisions of Rule 18, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2009.

The accounts have been prepared on a consolidated basis and include the financial statements of the Company and its subsidiaries made up to 30 June 2010. The measurement basis used in the preparation of the financial statements is historical cost as modified by the revaluation of certain financial assets and liabilities at fair value.

3. Turnover and revenue

The Group is principally engaged in the research, development and commercialization of drug products. Entering into 2010, the Group adjusted its strategy in face of the booming of international outsourcing market. Revenues recognized during the periods were as follows:

Breakdown of the revenue from all services is as follows:

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
-Transfer of technology for new drug and new drug development	201		301	
-Contracted pharmaceutical development and clinical research services associated with technology transfer	3,436	3,927*	6,736	7,267*
-Contracted pharmaceutical development and clinical research services outsourced by customers	5,616	1,865**	13,396	8,970**
-Import registration services	365		639	
-Royalty income	3,200	1,317	4,400	2,604
-Sales of active pharmaceutical ingredients products	147	595	316	607
	12,965	7,704	25,790	19,448

* In the interim report of 2009, 'Transfer of technology for new drug and new drug development' and 'Contracted pharmaceutical development and clinical research services associated with technology transfer' were disclosure combined.

** In the interim report of 2009, 'Contracted pharmaceutical development and clinical research services outsourced by customers' and 'Import registration services' were disclosure combined.

4. Administrative expenses

		Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2010	2009	2010	2009
Notes	RMB'000	RMB'000		RMB'000	RMB'000
Administrative expenses	4,168	2,992		7,370	5,992

5. Dividends

The board does not recommend the payment of any interim dividend for the three months ended 30 JUNE 2010. (2009: Nil)

6. Earnings per share

The calculation of basic earnings per share for the three and six months ended 30 June 2010 is based on the unaudited net profit of approximately RMB6,321,000 and RMB7,365,000 respectively (2009: approximately RMB2,381,000 and RMB10,072,000 respectively), and the weighted average number of approximately 363,511,664 ordinary shares in issue during the period (2009: 361,735,000) .

The calculation of the diluted earnings per share for the three months and six months ended 30 June 2010 is based on the unaudited net profit of approximately RMB6,174,000 and RMB7,320,000 respectively (2009: approximately RMB2,340,000 and RMB10,148,000 respectively), and the weighted average of approximately 363,511,664 shares (2009: approximately 361,735,000) (after adjusting for the effect of the outstanding dilutive options under the share option schemes of the Company).

7. Segment information

No geographical segment analysis is presented as all assets and operations of the Group for the periods are located in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

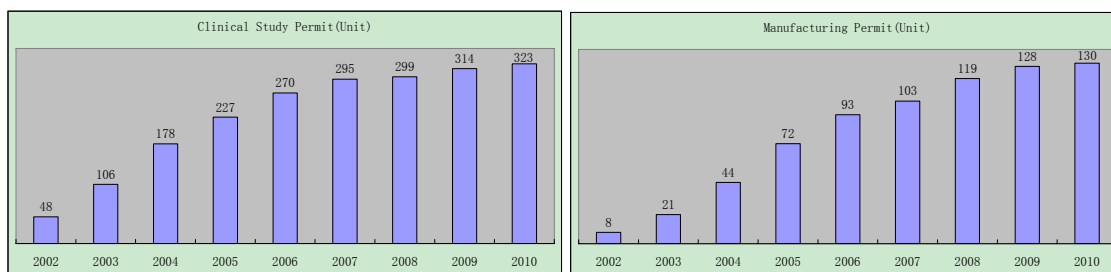
FINANCIAL REVIEW

The Group achieved a turnover of RMB 25,790,000 for the six months ended 30 June 2010, representing an increase of approximately 33% compared with that of the corresponding period in 2009.

BUSINESS HIGHLIGHTS

The Group has initiated 34 new projects in the past six months of 2010, and till now has 150 products under development. During the period, SFDA has granted 9 new Clinical Study Approval (“CA”) and 2 new Manufacturing Approval (“MA”) to the Group. The total number of CAs has reached 323 and the total number of MAs has climbed up to 130 and the Group had submitted 323 patent applications, among which 50 has gain authorized.

The following graph sets out the total number of CAs and MAs obtained during the past years:



PROSPECTS

The company has accomplished operating profit of RMB 2,756,000 for the six months ended 30 June 2010. The main contributions of the operation profit are: (1) the increase of turnover of approximately 33% compared with that of the corresponding period in 2009, major contribution is contracted pharmaceutical development and clinical research services which has a rapid growth of 56% in 2010. (2) In such a critical environment of drug industry, the Group has gained 9 new Clinical Study Approvals and 2 new Manufacturing Approvals, which will be very important to the future development of the Group. (3) To capitalize on the superiority of our R&D capacity, the Group increases investment in drug development, Four subsidiaries were identified as high-tech enterprise till now.

The company has made best efforts to improve its service capacities and performance in R&D outsourcing service by providing fully integrated pharmaceutical services that include drug discovery, API (Active Pharmaceutical Ingredient), PDS (Pharmaceutical Development Service), Pre-clinical research, CRS (Contract Research Service), RAS (Regulatory Affairs Service), CMS (Contract Manufacturing Service) and CSS (Contract Sales Service). In the meantime, the Group believes that as the government further standardizes and implements its supervision, the market environment will become more favorable to the Group given its competitive edge. Meanwhile, the investment from Chinese government into the scientific research of biologic and pharmaceutical technology will stimulate greatly to the R&D service market. The upcoming new booming age of the pharmaceutical industry will not only present the Group with rare and precious business opportunities, but also considerable return for the shareholders.

DIVIDEND

The Directors have not recommended payment of any interim dividend for the three months ended 30 June 2010.

SIGNIFICANT INVESTMENTS

The Company invested its surplus fund through its principal bank in investment market funds, which was RMB 60,307,846 as at 30 June 2010.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group did not have any contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CAPITAL STRUCTURE

There has not been any significant change to the capital structure of the Company since that date.

FOREIGN EXCHANGE EXPOSURE

During the period under review, the Group's transactions were substantially denominated in Renminbi ("RMB"). In view of the RMB appreciation trend, the Group engaged in risk-free value-added banking activities in due course and transferred its USD-denominated businesses to RMB-denominated businesses according to the relevant business scale. The Group closely monitors its foreign currency risk from time to time and will use appropriate hedging when necessary.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the three months ended 30 June 2010,.

COMPETING INTERESTS

As at 30 June 2010, none of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

CORPORATE GOVERNANCE

(1) Corporate governance practices

The Company applied the principles and fully complied with the Code Provision as set out in Appendix 15 of the GEM Listing Rules ("CG Code") with certain deviations save as disclosed in respect of the roles of chairman and chief executive officer.

(2) Directors' securities transactions

The Company has adopted the Company Code for Securities Transactions by Directors of Listed Issuers in compliance with the provisions that are set out in the GEM Listing Rules as its own code of conduct for Directors' dealings of securities since 29 June 2005. Specific enquiries have been made with all Directors and the Directors confirmed that they have complied with the required standard set out in the Company Code in the period from 1 January 2010 to 30 June 2010.

(3) Chairman and chief executive officer

Chairman of the Board is responsible for the leadership and effective running of the Board, and ensures that all keys and appropriate issues are discussed by the Board in a timely and constructive manner.

However, the Chief Executive of the Company has not yet been appointed. Currently, the day-to-day management of the Company's business is handled by the executive directors and senior management, who take the responsibility to run the Group's business and to implement the Group's strategy so as to achieve the overall commercial objectives of the Company.

(4) Board practice and procedures

During the period from the date of listing to 30 June 2010, the Company has been in compliance with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules

(5) Audit committee

The audit committee was established with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, half-yearly reports and quarterly reports and internal control system of the Group and provide advice and comments to the Board. The audit committee has three members comprising the three Independent Non-executive Directors, Mr. WANG Hong Bo, Mr. Paul CONTOMICHALOS and Mr. WU Ming Yu. Mr. WANG Hong Bo is the chairman of the audit committee. The company's financial statements for the six months ended 30 June 2010 have been reviewed by the audit committee.

(6) Directors' Acknowledgement of Their Responsibility for the Financial Statements

The Directors acknowledge that they take full responsibility in the preparation of the financial statements.

By Order of the Board

William Xia Guo

Chairman

Beijing, PRC, 6 August 2010

Executive Directors:

William Xia GUO

Maria Xuemei SONG

Non-Executive Directors:

FENG Tao

WU Xin

Nathan Xin ZHANG

Independent Non-Executive Directors:

WANG Hong Bo

Paul CONTOMICHALOS

WU Ming Yu

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