



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 2014 FOR THE SIX MONTHS ENDED 30 JUNE 2014

**for identification only*

INTERIM REPORT2014
FOR THE SIX MONTHS ENDED 30 JUNE2014
***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 othersophisticated 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”) ofVenturepharm Laboratories Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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The Directors are pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014, together with the comparative figures.

HIGHLIGHTS

1. The Group achieved a turnover of RMB4,192,000 for the six months ended 30 June 2014 representing a decrease of approximately 63% compared with that of the corresponding period in 2013.
2. Due to the revenue decrease, the Group suffered a loss from operations of RMB3,509,000 for the six months ended 30 June 2014.
3. Basic losses per share amounted to RMB 0.96 cent for the six months ended 30 June 2014.
4. Directors do not recommend to do the payment of any interim dividends for the six months ended 30 June 2014. (2013: Nil)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
Notes					
		RMB'000		RMB'000	
Turnover	2	1,299	1,827	4,192	11,205
Cost of sales		<u>-838</u>	<u>-1,727</u>	<u>--2,748</u>	<u>-8,086</u>
Gross profit		461	100	1,444	3,119
Administrative expenses	3	-1,778	-2,790	-3,804	-6,320
Loss from operations		<u>-1,317</u>	<u>-2,690</u>	<u>-2,360</u>	<u>-3,201</u>
Other income		771	113	1,160	200
Finance costs		<u>-1,159</u>	<u>-2,468</u>	<u>-2,309</u>	<u>-1,181</u>
Loss before taxation		-1,705	-5,045	-3,509	-4,182
Income tax	6	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Loss for the year		<u>-1,705</u>	<u>-5,045</u>	<u>-3,509</u>	<u>-4,182</u>
Attributable to :					
Equity holders of the Company		-1,705	-5,043	-3,509	-4,166
Minority interests		<u>0</u>	<u>-2</u>	<u>0</u>	<u>-16</u>
Loss for the year		<u>-1,705</u>	<u>-5,045</u>	<u>-3,509</u>	<u>-4,182</u>
Loss per share (cent)					
- basic	5	-0.47	-1.38	-0.96	-1.15
- diluted	5	-0.14	-0.90	-0.29	-0.51

CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2014 RMB'000	Unaudited 30 June 2013 RMB'000
	Notes		
Non-current assets			
Property, plant and equipment		6609	8739
Deferred tax assets		-	
		6660	8739
Current assets			
Work-in-progress		4,982	17,901
Trade receivables		1,542	6,789
Other receivables, deposits and prepayments		1,267	4,379
Financial assets at fair value through profit or loss		620	1,620
Cash and cash equivalents		1762	586
		10,173	31275
Current liabilities			
Short term loan	7	99,740	0
Trade and other payables		26,282	24,656
Receipt in advance		18,762	24,550
tax liabilities		132	(811)
		144,916	48,395
Net current assets		(134,743)	(17120)
Total assets less current liabilities		(128,384)	(8,381)
Non-current liabilities			
Convertible bond		0	89,405
Net assets		(128,384)	(97,786)
Capital and reserves			
Share capital		38,682	38,682
Reserves		(166,982)	(136,609)
Total equity attributable to equity shareholders of the Company		(128,300)	(97,927)
Minority interests		166	141
Total equity		(128,134)	(97786)

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Net cash used in operating activities	36	(2,071)
Net cash used in investing activities		0
Net cash generated from financing activities	(870)	(114)
Net decrease in cash and cash equivalents	(834)	(2,185)
Cash and cash equivalents at beginning of the period	<u>2596</u>	<u>2771</u>
Cash and cash equivalents at end of the period	<u><u>1762</u></u>	<u><u>586</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share-based payment		Available-for-sale financial assets		Capital reserve	Statutory reserve	Statutory fund	Retained earnings	Minority interest	Total
	Share capital	Payment reserve	Assets reserve	Special Reserve	Capital reserve	Statutory reserve	expansion	earnings	interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	38,536	4,285	-	6,039	1,818	3,821	6,986	(157,829)	(157)	(94,187)
New issue of shares	146	-	-	-	437	-	-	-	-	583
Loss for the period	-	-	-	-	-	-	-	(4,166)	(16)	(4,182)
At 30 June 2013	38,682	4,285	-	6,039	2,255	3,821	6,986	(159,995)	(141)	(97,786)
At 1 January 2014	38,681	4,430	-	6,039	2,254	3,821	6,986	(186,857)	166	(124,625)
New issue of shares	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	(3,509)	-	(3,509)
At 30 June 2014	38,681	4,430	-	6,039	2,254	3,821	6,986	(190,366)	166	(128,134)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies and basis of preparation

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) HKAS 34 Interim Financial Reporting. In addition, the financial statements comply with the applicable disclosure provisions of Rule 18, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2013.

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 2014. The measurement basis used in the preparation of the financial statements is historical cost as modified by the revaluation of certain financial assets and liabilities at fair value.

The directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

On 4 September 2012, the Convertible bond holders passed the Resolution to extend the maturity date of the convertible bond to 10 September 2015 and significantly reduced the current liabilities of the Group.

Meanwhile, considering the working capital and long term fund demand for future development, the Group will consider to raise funds through bank loans, issuance of new shares, convertible bonds, and issuance of new debts, etc.

On 26 May 2014, the Company entered into a term sheet ("Term Sheet") with certain holders of the Convertible Notes who hold the majority of the voting rights attached to the Convertible Notes (the "Majority Noteholders"). Pursuant to the terms of the Term Sheet, all parties have agreed to settle all claims and mutually release each other from any further liabilities or obligations under the Convertible Notes. More details will be negotiated with Majority Noteholders.

Subsequently, the Company has undergone commercial negotiations to rectify the authority of the Majority Noteholders to settle the Convertible Notes with the Company for itself and on behalf of all Noteholders. A Supplementary Settlement and Mutual Release Agreement ("Supplementary Agreement") is currently being negotiated and we expect to sign the Supplementary Agreement shortly.

2. Turnover and revenue

The Group is principally engaged in integrated services which including Clinical Research Service (VPS), Regulatory Affair Service(RAS) and Post Market Service (PMS).Breakdown of the revenue from all services is as follows:

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted clinical services outsourced by customers(VPS)	1,299	1,471	4,192	10,849
Other medical service				
Regulatory Affair Service(RAS)	-	356		356
	<u>1,299</u>	<u>1,827</u>	<u>4,192</u>	<u>11,205</u>

3. Administrative expenses

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2014	2013	2014	2013
Notes	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	1,778	2,790	3,804	6,320

Administrative expenses decreased by 40% compared with that of the corresponding period in 2013 mainly because of cut down of personnel expenses and rental.

4. Dividends

The board does not recommend the payment of any interim dividend for the six months ended 30 JUNE 2014 (2013: Nil)

5. Loss per share

Basic losses per share is calculated by dividing the unaudited net loss for the three and six months ended 30 June 2014 approximately RMB 1,705,000 and RMB 3,509,000 (approximately loss of RMB 5,043,000 and RMB 4,166,000 the corresponding period of 2013) attributable to owners of the Group by the weighted average number of 366,108,664 ordinary shares (2013: 365,208,664 shares) during the year.

The calculation of the diluted earnings per share for the year is based on the loss attributable to ordinary equity shareholders and adjusted to eliminate the interest expense less the tax effect. The weighted average number of 452,175,155 (2013: 453,119,000) ordinary shares after adjusting for the effect of the dilutive potential ordinary shares to be issued to the exercise of the options granted under all relevant Share Option Schemes and the conversion of convertible bond of 86,066,491 (2013: 88,928,491) shares.

6. Income Taxes

No Hong Kong profit taxes has been provided for, as the Group had no estimated assessable profits in Hong Kong for the period (2013: Nil)

PRC Enterprise Income Tax has been calculated on the estimated assessable profit for the year according to the relevant laws and regulations. The applicable income tax rate is ranging from 15% to 25% as at 31 March 2014 (2013: 15%-25%). During the year, Beijing Dezhong Venturepharm Medical Development Co., Ltd. (北京德眾萬全藥物技術開發有限公司), Beijing Venturepharm Sunshine Medical Technology Co., Ltd. (北京萬全陽光醫藥科技有限公司), Beijing Venturepharm Sunshine Pharmaceutical technology Co., Ltd. (北京萬全陽光醫學技術有限公司), Beijing Dezhong Venturepharm Pharmaceutical Technology Co., Ltd. (北京德眾萬全醫藥科技有限公司) and Hainan Shengke Life Science Research Co., Ltd. (海南盛科生命科學研究院) have applied to the PRC tax authority as High-tech Enterprises and subject to the PRC Enterprise Income Tax at 15%.

	Unaudited three months Ended 30 June		Unaudited Six months ended 30 June	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Income Tax	0	0	0	0

7. Borrowings

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current-Bank Loan	2,200	
Non-current-Convertible bond		89,405
Current-Convertible bond	97,740	
	99,740	89,405

At 30 June 2013, the carrying amounts and fair value of the non-current convertible bonds for the Group and the Company amounted approximately of RMB97,740,000 (2013: RMB89,405,000).

8. Segment information

As all assets and operations of the group are located in China during this period, there is no geographical segment analysis.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group has achieved a turnover of RMB 4,192,000 for the six months ended 30 June 2014, representing a decrease of approximately 63% compared with that of the corresponding period in 2013. As there was a significant change in the Chinese Government's policies and regulations in drug approval, which led to the increase in rigidity and cautiously in government approval and increased the timing and risk in new drug development, the total revenue dropped significantly.

PROSPECTS

The Group will focus on the advantages of resources to improve its capacities and performance in services by providing fully integrated pharmaceutical services which including Clinical Research Service (VPS), Regulatory Affairs Service (RAS) and Post Market Service (PMS). In the meantime, the Group believes that as the Government further standardizes and implements its supervision, the market environment will become more favorable to the Group. Meanwhile, the investment from Chinese Government into the scientific research of biologic and pharmaceutical technology will stimulate greatly to the R&D service market. The upcoming new booming age of the pharmaceutical industry will not only present the Group with rare and precious business opportunities, but also considerable return for the shareholders.

DIVIDEND

The Directors have not recommended payment of any interim dividend for the six months ended 30 June 2014.

SIGNIFICANT INVESTMENTS

The Company invested its surplus fund through its principal bank in investment market funds, which was RMB 620,000 as at 30 June 2014.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any contingent liabilities not recorded.

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.

FOREIGN EXCHANGE EXPOSURE

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2014.

COMPETING INTERESTS

As at 30 June 2014 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 2014 to 30 June 2014.

(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 2014, the Company has been in compliance with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules.

(5) Audit committee

The audit committee was established with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, half-yearly reports and quarterly reports and internal control system of the Group and provide advice and comments to the Board. The audit committee has three members comprising the three Independent Non-executive Directors, Mr. WU Shou Yuan, Mr. Paul CONTOMICHALOS and Mr. ZHANG Jing An. Mr. WU Shou Yuan is the chairman of the audit committee.

The company's financial statements for the six months ended 30 June 2014 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, 29 July, 2014

Executive Directors:

William Xia GUO

Maria Xuemei SONG

Non-Executive Directors:

FENG Tao

LI Jin Liang

Nathan Xin ZHANG

Independent Non-Executive Directors:

WU Shou Yuan

Paul CONTOMICHALOS

ZHANG Jing An