BEIJING YU SHENG TANG PHARMACEUTICAL GROUP LIMITED
北 京 御 生 堂 藥 業 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1141)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The Board of Directors (the "Board") of Beijing Yu Sheng Tang Pharmaceutical Group Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2010 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2010

		Six months ended 30 September	
		2010	2009
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	4	**406,077**	210,859
Cost of sales		**(398,327)**	(201,692)
Gross profit		**7,750**	9,167
Net (loss)/gain on investments at fair value through profit or loss	5	**(67,642)**	1,519
Other income and gains		**2,174**	10,838
Selling and distribution costs		**(732)**	(142)
Administrative expenses		**(16,075)**	(12,550)
Finance costs		**(9,362)**	(800)
Equity settled share-based payment expenses		**–**	(20,958)
Loss before taxation	5	**(83,887)**	(12,926)
Taxation	6	**855**	(32)
Loss for the period		**(83,032)**	(12,958)

	Notes	Six months ended 30 September 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Other comprehensive income			
Exchange differences on translating foreign operations		**1,938**	9
Other comprehensive income for the period, net of tax		**1,938**	9
Total comprehensive expense for the period		**(81,094)**	(12,949)
Loss for the period attributable to:			
Owners of the Company	7	**(82,979)**	(13,004)
Non-controlling interests		**(53)**	46
		(83,032)	(12,958)
Total comprehensive expense attributable to:			
Owners of the Company		**(81,047)**	(12,997)
Non-controlling interests		**(47)**	48
		(81,094)	(12,949)
Loss per share attributable to owners of the Company	7		
Basic and diluted (HK cents per share)		**(3.22)**	(0.81)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	Notes	As at 30 September 2010 HK$'000 (Unaudited)	As at 31 March 2010 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**37,073**	36,705
Prepaid lease payments		**32,418**	32,310
Other deposits		**1,420**	842
Intangible asset		**148,480**	146,286
Goodwill		**9,935**	9,935
Total non-current assets		**229,326**	226,078
Current assets			
Inventories		**86,094**	13,100
Accounts and bills receivable	9	**11,937**	94,564
Prepayments, deposits and other receivables		**218,654**	38,830
Loans receivable		**21,700**	13,000
Investments at fair value through profit or loss		**144,985**	176,990
Pledged bank deposits		**21,225**	131,099
Cash and bank balances		**507,410**	669,153
Total current assets		**1,012,005**	1,136,736
Current liabilities			
Accounts and bills payable	10	**10,274**	60,028
Other payables and accruals		**146,319**	149,872
Tax payable		**247**	199
Bank loans		**34,773**	35,402
Amount due to a director		**–**	301
Total current liabilities		**191,613**	245,802
Net current assets		**820,392**	890,934
Total assets less current liabilities		**1,049,718**	1,117,012

	As at 30 September 2010 *HK$'000* (Unaudited)	As at 31 March 2010 *HK$'000* (Audited)
Non-current liabilities		
Convertible notes	**154,459**	147,882
Deferred tax liabilities	**21,467**	22,404
Total non-current liabilities	**175,926**	170,286
Net assets	**873,792**	946,726
Capital and reserves		
Share capital	**25,855**	25,555
Reserves	**847,937**	921,124
Equity attributable to owners of the Company	**873,792**	946,679
Non-controlling interests	**–**	47
Total equity	**873,792**	946,726

Notes:

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 September 2010 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value. The condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

2. Significant accounting policies

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2010 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA as discussed below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2010.

The applicable new and revised HKFRSs adopted in the condensed consolidated interim financial statements are set out below:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 27 (Revised)	Consolidation and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The application of the above new and revised HKFRSs has had no material effect on the preparation and presentation of the results and financial positions of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets[4]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[5]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 July 2010.

3 Effective for annual periods beginning on or after 1 January 2011.

4 Effective for annual periods beginning on or after 1 July 2011.

5 Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of making an assessment of the impact of the above HKFRSs upon initial application but is not yet in a position to state whether the above HKFRSs would have a significant impact on the Group's and the Company's results of operations and financial position.

3. Segment information

In a manner consistent with the way in which information is reported internally to chief operating decision maker for the purpose of resources allocation and performance assessment, the Group is currently organised into the following operating segments.

- the supply and procurement segment represents supply and procurement activities in metal minerals and recyclable metal materials;
- the pharmaceutical segment represents production and sale of Chinese medicine;
- the provision of finance segment represents provision of short-term loan financing activities; and
- the securities investment segment represents investment activities in equity securities and equity-linked notes.

The following is an analysis of the Group's revenue and results by reportable segments:

	Six months ended 30 September 2010 (Unaudited)				
	Supply and procurement	**Pharmaceutical**	**Provision of finance**	**Securities investment**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue					
Sales to external customers	**400,629**	**2,788**	**1,502**	**1,158**	**406,077**
Segment results	**2,710**	**(4,252)**	**1,443**	**(66,483)**	**(66,582)**
Interest income and unallocated revenue and gains					**739**
Unallocated expenses					**(8,682)**
Finance costs					**(9,362)**
Loss before taxation					**(83,887)**
Taxation					**855**
Loss for the period					**(83,032)**

	Six months ended 30 September 2009 (Unaudited)			
	Supply and procurement	Provision of finance	Securities investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
Sales to external customers	207,241	917	2,701	210,859
Segment results	5,584	856	4,220	10,660
Interest income and unallocated revenue and gains				10,409
Unallocated expenses				(12,237)
Finance costs				(800)
Equity settled share-based payment expenses				(20,958)
Loss before taxation				(12,926)
Taxation				(32)
Loss for the period				(12,958)

4. Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, interest income from provision of finance, dividend income from investment in listed equity securities and interest income from investment in equity-linked notes during the period.

5. Loss before taxation

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The Group's loss before taxation is arrived at after charging:		
Staff costs including directors' remuneration	**4,805**	1,873
Equity settled share-based payment expenses	**–**	20,958
Retirement benefits schemes contributions	**258**	73
Total staff costs	**5,063**	22,904
Cost of inventories sold	**395,646**	196,258
Depreciation of property, plant and equipment	**1,263**	327
and after crediting:		
Reimbursement for legal and other professional costs incurred from counterparties due to termination of an investment project	**–**	8,159
Reversal of impairment loss recognised in respect of an other receivable	**–**	2,040
Net (loss)/gain on investments at fair value through profit or loss:		
Net realised loss on investment in listed equity securities	**(9,096)**	(85)
Unrealised (loss)/gain on investment in listed equity securities	**(58,546)**	1,716
Unrealised loss on investment in equity-linked notes	**–**	(112)
Net (loss)/gain on investments at fair value through profit or loss	**(67,642)**	1,519

6. Taxation

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong	**83**	163
Current – Elsewhere		
Over provision in prior period	**–**	(131)
	83	32
Deferred taxation	**(938)**	–
	(855)	32

Hong Kong Profits Tax for the six months ended 30 September 2010 and 2009 was calculated at 16.5% of the estimated assessable profit for the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. Loss per share attributable to owners of the Company

The calculation of basic loss per share is based on the unaudited net loss for the period attributable to owners of the Company for the six months ended 30 September 2010 of HK$82,979,000 (six months ended 30 September 2009: HK$13,004,000) and the weighted average of 2,580,069,924 (six months ended 30 September 2009: 1,597,378,660) ordinary shares in issue during the period.

Basic and diluted loss per share for the six months ended 30 September 2010 and 2009 have been presented as equal because the conversion of convertible notes and exercise of share options would decrease the loss per share, therefore, anti-dilutive.

8. Dividends

No dividends were declared during the six months ended 30 September 2010 (six months ended 30 September 2009: nil).

9. Accounts and bills receivable

	As at 30 September 2010	As at 31 March 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accounts receivable	**2,303**	36,067
Bills receivable	**9,634**	58,497
	11,937	94,564

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three to six months for major customers. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. Accounts and bills receivable are non-interest bearing. The carrying amounts of the accounts and bills receivable approximate to their fair values.

An aged analysis of the accounts and bills receivable at the end of the reporting period, based on invoice date, and net of impairment, is as follows:

	As at 30 September 2010 *HK$'000* **(Unaudited)**	As at 31 March 2010 *HK$'000* (Audited)
Within 30 days	**8,315**	93,198
31 to 60 days	**2,094**	830
61 to 90 days	**470**	–
91 to 180 days	**1,018**	536
Over 180 days	**40**	–
Total	**11,937**	94,564

10. Accounts and bills payable

An aged analysis of the accounts and bills payable at the end of the reporting period, based on invoice date, is as follows:

	As at 30 September 2010 *HK$'000* **(Unaudited)**	As at 31 March 2010 *HK$'000* (Audited)
Within 30 days	**381**	57,475
31 to 60 days	**3,098**	1,020
61 to 90 days	**–**	887
91 to 180 days	**920**	339
Over 180 days	**5,875**	307
Total	**10,274**	60,028

The accounts and bills payable are non-interest bearing and are normally settled on 60 days term. As at 30 September 2010, the Group had bills payable of approximately HK$5,294,000 (31 March 2010: HK$27,428,000), which were within 30 days.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: nil).

BUSINESS REVIEW

For the six months ended 30 September 2010, the loss attributable to owners of the Company was HK$82,979,000 (30 September 2009: HK$13,004,000) and basic loss per share was HK3.22 cents (30 September 2009: HK0.81 cent). The loss incurred by the Group was mainly attributed to the net loss on investment in listed equity securities of HK$67,642,000 (30 September 2009: net gain of HK$1,519,000) of which HK$58,546,000 (30 September 2009: unrealised gain of HK$1,716,000) represented unrealised holding loss for listed equity securities measured at fair values at the interim period end date.

During the period under review, the Group continued to engage in the business of supply and procurement of metal minerals and recyclable metal materials, pharmaceutical products, provision of finance and securities investment. When compared with the previous period, the Group's revenue increased by 93% to HK$406,077,000 (30 September 2009: HK$210,859,000) that was primarily due to the sharp increase in revenue posted by the supply and procurement division, which in turn resulted from the significant increase in the division's transaction volume. Despite such revenue growth, the Group's gross profit dropped by 15% to HK$7,750,000 (30 September 2009: HK$9,167,000) that was mainly related to a trade dispute for which a loss of about HK$5 million was recognised by the supply and procurement division. The Group's finance costs for the current period included a notional interest on convertible notes of HK$7,525,000 (30 September 2009: HK$800,000) calculated in accordance with the Group's accounting policy on financial instruments, such notional interest required no cash outlay whereas interest requiring cash settlement amounted to HK$948,000 (30 September 2009: nil) for the period. The decrease of the Group's other income and gains by 80% to HK$2,174,000 (30 September 2009: HK$10,838,000) was mainly due to the absence of a reimbursement income from counterparties for legal and other professional costs incurred due to termination of an investment project in the previous period. The increase in the Group's administrative expenses by 28% to HK$16,075,000 (30 September 2009: HK$12,550,000) was primarily due to the operating costs incurred by the newly established pharmaceutical division.

During the review period, the Group's supply and procurement division continued to focus on the sourcing and sales of metal minerals and recyclable metal materials to customers based in Mainland China. As a result of the higher trading volume achieved when compared to the previous period, the revenue of the operation increased sharply by 93% to HK$400,629,000 (30 September 2009: HK$207,241,000). Despite such revenue growth, the operation's profit decreased by 51% to HK$2,710,000 (30 September 2009: HK$5,584,000) mainly due to the recognition of an approximately HK$5 million compensation payment paid to a customer for mineral content deviation of a shipment of metal minerals. The Group has initiated a corresponding arbitration claim against the supplier of that shipment. Nevertheless, owing to uncertainty of the outcome of the arbitration, the compensation recoverable from the supplier has not been recognised in the Group's income statement. Although the compensation payment mentioned has adversely affected the operation's results for the review period, the management is optimistic about the division's performance for the full financial year as the strong growth in revenue and transaction volume reported by the division for the first six months is expected to continue for the remainder of the financial year.

As mentioned in the Group's 2010 annual report, the Group has diversified into the pharmaceutical business through acquisition of a group of companies in January and February 2010. The major assets owned by these companies comprise the intellectual property rights to Jinhua Qinggan – a Chinese medicine aiming at treating patients who have been infected with Influenza A (H1N1) and other types of influenza and a Good Manufacturing Practices (GMP) compliant medicine production plant in Beijing. During the review period, the revenue of the pharmaceutical division of HK$2,788,000 mainly represented sales income of Jinhua Qinggan selling as a prescription drug to designated medical institutions in Beijing. As the sales volume of Jinhua Qinggan has not yet reached a scale that can cover operating costs of the division, the pharmaceutical division incurred a loss of HK$4,252,000 during the review period which was primarily due to the set up and administrative costs of the division. The Group is in the process of applying a new drug certificate for Jinhua Qinggan from the relevant authorities in Mainland China, upon receipt of the new drug certificate, the Group will be able to market Jinhua Qinggan as a non-prescription drug to the general public. It is expected that the sales volume of Jinhua Qinggan will increase by then and that the financial performance of the pharmaceutical division will be improved.

The financing division continued to provide a stable income to the Group for the review period. When compared with the previous period, the interest income and operating profit generated by the financing division were up by 64% to HK$1,502,000 (30 September 2009: HK$917,000) and 69% to HK$1,443,000 (30 September 2009: HK$856,000). Such increases were mainly due to the higher average amount of loans advanced to customers over the previous period. The loan portfolio held by the Group amounted to HK$21,700,000 (31 March 2010: HK$13,000,000) at the period end.

The Group's securities investment division recorded revenue of HK$1,158,000 (30 September 2009: HK$2,701,000) representing mainly dividend income from equity securities investment and interest income from equity linked notes received during the period. As a whole, the division reported a loss of HK$66,483,000 (30 September 2009: gain of HK$4,220,000) primarily as a result of the loss incurred from investing in Hong Kong listed equity securities, and that loss incurred comprised mainly unrealised holding loss of HK$58,546,000 (30 September 2009: unrealised gain of HK$1,716,000) for listed equity securities measured at fair values at the period end date. During the review period, the Hong Kong stock market was rather volatile largely brought by the sovereign debts crises in Europe, the uncertainties of the United States economy and the financial tightening measures imposed by the government of the People's Republic of China on the banking and property sector of the economy. Investor confidence and market sentiments were weakened during the period and placed downward price pressure on equity securities invested by the Group. The Group's securities portfolio at the period end comprised mainly listed equity securities in Mainland property development and investment company, mining company, healthcare services company, hotel and entertainment company; as well as equity-linked note in a Mainland transportation infrastructure construction company. At the period end, the Group's securities portfolio was valued at HK$144,985,000 (31 March 2010: HK$176,990,000). The management expects that the division will perform better when investor confidence and positive market sentiments are restored in the stock markets and the financial issues clouded the global major economies and investment markets in the last few quarters are cleared out.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 September 2010, the Group had current assets of HK$1,012,005,000 (31 March 2010: HK$1,136,736,000) and liquid assets comprising cash and short-term securities investment of HK$652,395,000 (31 March 2010: HK$846,143,000) (excluding pledged bank deposits for trade facilities granted by banks). The Group's current ratio, calculated based on current assets of HK$1,012,005,000 over current liabilities of HK$191,613,000, was at a strong ratio of 5.3 at the period end (31 March 2010: 4.6).

The Company issued 30 million new shares during the review period as a result of exercise of share options granted to employees. At the period end, equity attributable to owners of the Company amounting to HK$873,792,000 (31 March 2010: HK$946,679,000), representing a decrease of 8% when compared to the last balance sheet date which was primarily a result of the loss incurred by the Group during the period. As at 30 September 2010, the net equity attributable to owners of the Company was HK$0.34 (31 March 2010: HK$0.37) per share. Subsequent to period end date, the Company issued 517 million new shares through placing and raised net proceeds of approximately HK$142.9 million which have been used as general working capital of the Group.

On 10 November 2010, the Company entered into a placing agreement with a placing agent, on a best effort basis, under which the Company conditionally agreed to place 1,000,000,000 new shares at a price of HK$0.32 per share for raising net proceeds of approximately HK$311.2 million. The placing is subject to shareholders' approval and a special general meeting will be convened for this purpose in due course. Details of the proposed placing are stated in the Company's announcement dated 10 November 2010.

At the period end, the Group's total indebtedness comprised fair value of outstanding convertible notes and bank loans with aggregate amount of HK$189,232,000 (31 March 2010: HK$183,284,000). The Group's gearing ratio, calculated on the basis of total indebtedness divided by total indebtedness and equity attributable to the Company's owners, was 18% at the period end (31 March 2010: 16%). The convertible notes, if not converted, would be due for payment in January 2013 whereas the bank loans were all repayable within one year. The convertible loans were denominated in Hong Kong dollars and bore fixed interest rate at 1% per annum whereas the bank loans were denominated in Renminbi and bore interest at floating rates.

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

PROSPECTS

For the remainder of the financial year, the Group will continue to manage its business in a prudent manner in light of the uncertainties and challenges face by major global economies and investment markets. In respect of new investment opportunities, the Group will continue with its cautious approach in evaluating new projects to ensure a stable prospect to shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 September 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE PRACTICES

The Company had adopted the principles and complied with all the applicable provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2010 except for the following deviation:

Code Provision A.4.1

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Deviation

The Independent Non-executive Directors of the Company are not appointed for a specific term but shall retire from office by rotation at least once every three years as stated in bye-law 87 of the Company's Bye-laws which provides that at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

AUDIT COMMITTEE

The condensed consolidated interim financial statements of the Company for the six months ended 30 September 2010 have not been audited, but have been reviewed by the Audit Committee.

By Order of the Board
Suen Cho Hung, Paul
Chairman

Hong Kong, 26 November 2010

As at the date of this announcement, the Board comprises Mr. Suen Cho Hung, Paul (Chairman), Mr. Sue Ka Lok (Chief Executive Officer), Mr. Bai Jianjiang and Ms. Lee Chun Yeung, Catherine as Executive Directors and Mr. Wong Kwok Tai, Mr. Weng Yixiang and Mr. Lu Xinsheng as Independent Non-executive Directors.

* *For identification purpose only*