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LANSEN PHARMACEUTICAL HOLDINGS LIMITED
朗生醫藥控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 503)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2010	2009	Change
	<i>USD'000</i>	<i>USD'000</i>	
TURNOVER	28,402	20,842	36%
GROSS PROFIT	18,578	14,183	31%
PROFIT BEFORE INCOME TAX	6,347	4,066	56%
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	5,029	3,370	49%
BASIC EARNINGS PER SHARE (<i>US cents</i>)	1.5	1.1	36%

The board (the “**Board**”) of directors (the “**Directors**”) of Lansen Pharmaceutical Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2010 (the “**Period**”) together with the comparative figures for the corresponding period of 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Note	US\$'000	US'000
		(Audited)	(Unaudited)
Revenue	3	28,402	20,842
Cost of sales		<u>(9,824)</u>	<u>(6,659)</u>
Gross profit		18,578	14,183
Other income	3	940	475
Selling and distribution expenses		(8,709)	(7,792)
Administrative expenses		<u>(4,115)</u>	<u>(2,496)</u>
Profit from operations	5	6,694	4,370
Finance costs	6	<u>(347)</u>	<u>(304)</u>
Profit before income tax		6,347	4,066
Income tax expense	7	<u>(1,318)</u>	<u>(696)</u>
Profit for the period		<u>5,029</u>	<u>3,370</u>
Other comprehensive income			
Exchange differences arising on translation of foreign operations		<u>387</u>	<u>(37)</u>
Other comprehensive income for the period, net of tax		<u>387</u>	<u>(37)</u>
Total comprehensive income for the period		<u>5,416</u>	<u>3,333</u>
Profit attributable to owners of the Company		<u>5,029</u>	<u>3,370</u>
Total comprehensive income attributable to owners of the Company		<u>5,416</u>	<u>3,333</u>
Earnings per share — Basic	9	<u>1.5 cents</u>	<u>1.1 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

		30 June	31 December
		2010	2009
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		18,127	16,951
Land use rights		2,389	2,398
Intangible assets		8,146	7,663
Goodwill		6,824	6,824
		<u>35,486</u>	<u>33,836</u>
Current assets			
Inventories		4,604	3,852
Trade and other receivables	10	24,615	20,592
Land use rights		53	53
Pledged bank deposits		4,874	800
Cash and cash equivalents		36,704	4,055
		<u>70,850</u>	<u>29,352</u>
Total assets		<u>106,336</u>	<u>63,188</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	11	4,150	29,491
Share premium		68,541	14
Treasury shares		—	(6,605)
Exchanges equalisation reserve		3,174	2,787
Statutory reserve		1,298	704
Retained profits		8,771	3,565
Total equity		<u>85,934</u>	<u>29,956</u>

		30 June	31 December
		2010	2009
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current liabilities			
Borrowings		—	10,407
Deferred tax liabilities		<u>394</u>	<u>394</u>
		394	10,801
Current liabilities			
Borrowings		8,191	8,881
Current tax liabilities		923	258
Amount due to a fellow subsidiary		—	311
Trade and other payables	12	<u>10,894</u>	<u>12,981</u>
		<u>20,008</u>	<u>22,431</u>
Total liabilities		<u>20,402</u>	<u>33,232</u>
Total equity and liabilities		<u>106,336</u>	<u>63,188</u>
Net current assets		<u>50,842</u>	<u>6,921</u>
Total assets less current liabilities		<u>86,328</u>	<u>40,757</u>

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is an exempted limited liability company incorporated in the Cayman Islands on 10 September 2009 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 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 Company is a subsidiary of Cathay International Holdings Limited, a company incorporated in Bermuda and whose shares are listed on the London Stock Exchange. The Directors consider the ultimate holding company to be Cathay International Enterprises Limited which is incorporated in Bermuda.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Through a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares (the "Group Reorganisation"), the Company became the holding company of the Group on 21 April 2010. Details of the Group Reorganisation are more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group Structure" of the prospectus of the Company dated 27 April 2010 (the "Prospectus"). The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting. The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2010 and 30 June 2009 have been prepared on the basis as if the current group structure had been in existence throughout the periods. The consolidated statement of financial position of the Group as at 31 December 2009 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at that date.

The consolidated financial statements have been prepared under historical cost convention and 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 International Accounting Standards Board ("IASB"), and all applicable individual International Accounting Standards ("IAS") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. It also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Group has applied the revised and amended IFRSs which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010. The adoption of the revised and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The following new standards, amendments and interpretations to existing IFRSs have been published but are not yet effective for annual period beginning on 1 January 2010 and have not been adopted early by the Group.

IAS 24 (Revised)	Related Party Disclosures ⁴
IAS 32 (Amendment)	Classification of Rights Issues ²
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ³
IFRS 9	Financial Instrument ⁵
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ³
Improvements to IFRSs	Annual Improvements to IFRSs 2010 ¹

Notes:

- 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 February 2010
- ³ Effective for annual periods beginning on or after 1 July 2010
- ⁴ Effective for annual periods beginning on or after 1 January 2011
- ⁵ Effective for annual periods beginning on or after 1 January 2013

The Directors anticipate that all these new or revised IFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the possible impact of these news or revised IFRSs but are not yet in a position to state whether these new or revised IFRSs would have a significant impact on the Group's results and financial position in the first year of application.

3. 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 2010 US\$'000	Six months ended 30 June 2009 US\$'000 (Unaudited)
Revenue from sales of goods	<u>28,402</u>	<u>20,842</u>
Other income		
Government grants	913	339
Interest income on financial assets not at fair value through profit or loss	25	133
Others	<u>2</u>	<u>3</u>
	<u>940</u>	<u>475</u>

The Group was entitled to receive grants from a People's Republic of China ("PRC") local government to support the development of high technology products. The grants received were not subject to any conditions.

4. 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 resource 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 2010		
	Rheumatic specialty prescription western pharmaceuticals US\$'000	Other pharmaceuticals US\$'000	Total US\$'000
Reportable segment			
— Revenue from external customers	<u>18,782</u>	<u>9,620</u>	<u>28,402</u>
Reportable segment profit	<u><u>15,034</u></u>	<u><u>3,544</u></u>	<u><u>18,578</u></u>

	Six months ended 30 June 2009		
	Rheumatic specialty prescription western pharmaceuticals US\$'000 (Unaudited)	Other pharmaceuticals US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Reportable segment			
— Revenue from external customers	<u>14,560</u>	<u>6,282</u>	<u>20,842</u>
Reportable segment profit	<u><u>11,438</u></u>	<u><u>2,745</u></u>	<u><u>14,183</u></u>

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

	Six months ended 30 June 2010 US\$'000	Six months ended 30 June 2009 US\$'000 (Unaudited)
Profit or loss		
Reportable segment profit	18,578	14,183
Other income not allocated	940	475
Other expenses not allocated	(12,824)	(10,288)
Finance costs	<u>(347)</u>	<u>(304)</u>
Profit before income tax	<u><u>6,347</u></u>	<u><u>4,066</u></u>

During the six months ended 30 June 2010, 17% (30 June 2009: 14%, unaudited) of the Group's revenue depended on a single customer in the "other pharmaceuticals" segment. As at the reporting date, 23% of the Group's trade receivables was due from this customer (31 December 2009: 14%).

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

	Six months ended 30 June 2010 US\$'000	Six months ended 30 June 2009 US\$'000 (Unaudited)
PRC (domicile)	27,961	20,481
Overseas	<u>441</u>	<u>361</u>
	<u>28,402</u>	<u>20,842</u>

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

Almost all of the non-current assets of the Group were located in the PRC in both periods.

5. PROFIT FROM OPERATIONS

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

	Six months ended 30 June 2010 US\$'000	Six months ended 30 June 2009 US\$'000 (Unaudited)
Auditors' remuneration	83	2
Less: Amount incurred in connection with the issue of shares	(66)	—
Auditors' remuneration charged to profit or loss	17	2
Depreciation of property, plant and equipment	484	423
Amortisation of land use rights	29	24
Provision for impairment of trade receivables	242	72
Provision for impairment of other receivables	14	9
Exchange loss, net	18	17
Cost of inventories recognised as expenses	9,728	6,564
Operating lease charges in respect of land and building	76	82
Research and development costs	111	94
Loss on disposals of property, plant and equipment	17	4
Provision of obsolete inventories	15	—
Write off of intangible assets	—	15
Staff costs (including directors' remuneration)		
Wages and salaries	2,667	2,103
Defined contribution plan	168	102
	<u>2,835</u>	<u>2,205</u>

6. FINANCE COSTS

	Six months ended 30 June 2010 US\$'000	Six months ended 30 June 2009 US\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	391	304
Less: Interest capitalised included in construction in progress	<u>(44)</u>	<u>—</u>
	<u>347</u>	<u>304</u>

The borrowing costs have been capitalised at a rate of 4.23% per annum (30 June 2009: nil%, unaudited).

7. INCOME TAX EXPENSE

	Six months ended 30 June 2010 US\$'000	Six months ended 30 June 2009 US\$'000 (Unaudited)
Current tax		
— PRC Enterprise Income Tax	1,318	551
Deferred tax		
— Withholding Income Tax	<u>—</u>	<u>145</u>
	<u>1,318</u>	<u>696</u>

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.

Pursuant to the tax law passed by the Tenth National People's Congress on 16 March 2007, the new PRC Enterprise Income Tax ("EIT") rates for domestic and foreign enterprises in China which are currently charging at an EIT rate of 33% are unified at 25% with effect from 1 January 2008; the EIT rate for domestic and foreign enterprises in China which were currently charging at preferential rates will increase gradually to 25% in 5 years with effect from 1 January 2008.

In addition, one of the subsidiaries has been certified for high and new technology enterprises in the PRC and enjoyed a preferential enterprise income tax rate of 15% starting from 1 January 2010 (30 June 2009: 25%).

Certain subsidiaries of the Group are wholly-owned foreign enterprises in accordance with the Income Tax Law of the PRC for Enterprise with Foreign Investment and Foreign Enterprises and are 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.

Under the New PRC Tax Law, withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. The applicable rate of withholding tax for the Group is 5%.

8. DIVIDENDS

	Six months ended 30 June 2010 US\$'000	Six months ended 30 June 2009 US\$'000 (Unaudited)
Dividend attributable to the period:		
Special dividend for 2010 of US1.80 cents per share (<i>note a</i>)	5,390	—
Dividend attributable to the previous financial year, approved and recognised during the period (<i>note b</i>)	<u>—</u>	<u>3,340</u>
	<u>5,390</u>	<u>3,340</u>

- (a) Pursuant to the ordinary resolution passed at the General Meeting held on 9 April 2010, the Company declared a dividend of US1.8 cents per share, totalling approximately US\$5,390,000 to the then shareholders.
- (b) Pursuant to the ordinary resolutions passed at the General Meetings held on 19 January 2009, the Group approved a final dividend of US18.38 cents per share, totalling US\$3,340,000 in respect of the year ended 31 December 2008.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2010 period is based on the consolidated profit attributable to owners of the Company and on the weighted average number of 333,204,429 (six months ended 30 June 2009: 300,000,000, unaudited) shares in issue during the period on the assumption that the Group Reorganisation have been effective on 1 January 2009.

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

10. TRADE AND OTHER RECEIVABLES

Group

	30 June 2010 US\$'000	31 December 2009 US\$'000
Trade receivables	17,958	13,822
Less: provision for impairment of trade receivables	<u>(1,864)</u>	<u>(1,672)</u>
	16,094	12,150
Bills receivable	<u>4,996</u>	<u>4,984</u>
Trade and bills receivables	21,090	17,134
Prepayments and other receivables	<u>3,525</u>	<u>3,458</u>
	<u>24,615</u>	<u>20,592</u>

The Directors consider that the carrying amount of trade and other receivables approximates their fair values.

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

Based on the invoice dates, the ageing analysis of the trade and bills receivables of the Group is as follows:

	30 June 2010	31 December 2009
	<i>US\$'000</i>	<i>US\$'000</i>
90 days or below	19,800	13,725
91–180 days	<u>1,290</u>	<u>3,409</u>
	<u>21,090</u>	<u>17,134</u>

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US\$1,851,000 (31 December 2009: US\$941,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. These relate to a number of independent customers of whom there is no recent history of default. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The Group's ageing analysis of past due but not impaired trade receivables is as follows:

	30 June 2010	31 December 2009
	<i>US\$'000</i>	<i>US\$'000</i>
Past due over 1–90 days	1,250	941
Past due over 91–275 days	<u>601</u>	<u>—</u>
	<u>1,851</u>	<u>941</u>

The movements on the Group's provision for impairment of trade receivables are as follows:

	30 June 2010	31 December 2009
	<i>US\$'000</i>	<i>US\$'000</i>
At beginning of the period/year	1,672	2,563
Exchange adjustment	14	2
Provision for impairment of trade receivables	242	50
Amounts written off as uncollectible	<u>(64)</u>	<u>(943)</u>
At end of the period/year	<u>1,864</u>	<u>1,672</u>

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables. The individually impaired receivables mainly relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

As of 30 June 2010, a provision for impairment of other receivables of US\$1,360,000 (31 December 2009: US\$1,335,000), was recognised for certain long outstanding receivables as these receivables are not expected to be fully recovered. The Group does not hold any collateral over these balances.

11. SHARE CAPITAL

	Number of shares	Amount US\$'000
Ordinary shares of US\$0.01 each		
Authorised:		
At 10 September 2009 (date of incorporation), 31 December 2009 and 30 June 2010	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
— Issue of share on 10 September 2009	<u>1</u>	<u>—</u>
At 31 December 2009 and 1 January 2010	1	—
— Issue of shares pursuant to Group Reorganisation	299,999,999	3,000
— Placing and public offering	100,000,000	1,000
— Exercise of over-allotment option	<u>15,000,000</u>	<u>150</u>
At 30 June 2010	<u>415,000,000</u>	<u>4,150</u>

The Company was incorporated on 10 September 2009 with authorised share capital of US\$200,000,000 divided into 20,000,000,000 shares of which 1 share was allotted which was then transferred to Cathay International Pharma Manufacture & Distribution (China) Limited, an immediate holding company of Lansen Pharmaceutical Holdings Limited, a company incorporated in the British Virgin Islands (“Lansen Pharmaceutical BVI”), on the same date.

On 21 April 2010, 299,999,999 shares of US\$0.01 each were issued in consideration for the acquisition of the entire issued share capital of Lansen Pharmaceutical BVI pursuant to the Group Reorganisation.

On 7 May 2010, 100,000,000 ordinary shares of US\$0.01 each of the Company were issued at HK\$3.91 by way of placing and public offering. On the same date, the Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

On 28 May 2010, an over-allotment option was exercised and a further 15,000,000 shares of US\$0.01 each were issued at HK\$3.91 per share.

All the shares issued during the period rank pari passu with the then existing shares in all respect.

The share capital of the Group as at 31 December 2009 represented the issued and paid up share capital of Lansen Pharmaceutical BVI.

12. TRADE AND OTHER PAYABLES

Group

	30 June 2010 US\$'000	31 December 2009 US\$'000
Trade payables	5,456	4,610
Bills payables	<u>—</u>	<u>559</u>
Trade and bills payables	5,456	5,169
Other payables and accruals	<u>5,438</u>	<u>7,812</u>
	<u>10,894</u>	<u>12,981</u>

Based on invoice date, the ageing analysis of the trade and bills payables of the Group as at 30 June 2010 and 31 December 2009 is as follows:

	30 June 2010	31 December 2009
	<i>US\$'000</i>	<i>US\$'000</i>
90 days or below	3,070	2,821
91–180 days	1,062	1,422
181–365 days	838	450
Over 365 days	486	476
	<u>5,456</u>	<u>5,169</u>

As at 31 December 2009, bills payable of US\$599,000 were secured by the pledged bank deposits.

The Directors consider that the carrying amount of trade payables approximates to its fair value.

BUSINESS REVIEW AND PROSPECTS

We are pleased that the Company has achieved the profit forecast as stated in the Prospectus dated 27 April 2010 issued by the Company during the Initial Public Offerings (“IPO”). For the six months ended 30 June 2010, the Group recorded a revenue of approximately US\$28.4 million while the profit for the period attributable to owners of the Company was approximately US\$5.0 million.

Business Review

With the implementation of positive fiscal policies by the State, the economy of the PRC continued to experience significant growth during the first half of 2010. The strong support given by the State to the medical and health system reform has contributed to substantial growth in domestic demand in the PRC pharmaceutical market. As a result of governmental measures introduced since 2009, government will inject RMB850 billion within 3 years (2009–2011) into the healthcare industry. In addition, new governmental initiatives require 80% participation of urban residents countrywide in medical insurance programs, and in those areas having better fundamentals a rate of 90% should be achieved. All university undergraduates will also be included in the Urban Residents Medical Insurance Program. The PRC pharmaceutical industry should be able to maintain high growth under favorable policy and financial support from the government leading to healthy and stable growth in pharmaceutical sales.

To regulate the pricing of pharmaceuticals and ensure the reasonableness and transparency for the price set by the government, the National Development and Reform Commission issued the draft of “Drug Price Control Measures” (the “Measures”) for consultation with the industry, which set strict guidelines on the domestic sale of pharmaceuticals in the PRC including the percentage of expenses incurred, sales profit margins and the pricing throughout the distribution channel. The implementation of the Measures could significantly affect the profitability of pharmaceutical companies. Although the timing and extent of these proposed changes are unclear, we expect that the direction of this reform will remain unchanged. The Company will mitigate the potential impact from the implementation of the Measures by taking remedial actions, including expanding the product range by speeding up the development and acquisition of new pharmaceuticals; lowering the Company’s production and marketing costs by improving its internal management and control; and boosting the efficiency and capacity of the sales team.

The Measures, if implemented, may have substantial impact on all the pharmaceutical companies in the near term. However, this would also present opportunities for the Company to cooperate with or acquire suitable companies or their pharmaceutical products. With such new products, the Company should expand its sales quickly and generate more profits and value to its shareholders. We will emphasize the widening of our product range by way of acquisition and product development. In the near term, we will monitor the market closely to speed up and strengthen its acquisition efforts to expand and enhance its product range.

In the first half of 2010, the turnover and net profit of the Company both reached record highs with sales revenue amounting to US\$28.4 million, registering a 36% increase over the corresponding period last year. The net profit after tax was US\$5.0 million, representing a 49% growth over the corresponding period last year. Profit before tax was US\$6.3 million, representing a 56% growth over the corresponding period last year. The Company's encouraging results during the first half of 2010 were achieved by management and staff focusing on the following:

Rheumatic specialty prescription western pharmaceuticals, the core business of the Company, experienced rapid growth in sales. During the first half of 2010, the sales of rheumatic specialty prescription western pharmaceuticals amounted to US\$18.8 million, which contributed to 66% of the total sales of the Company and represented a 29% growth over the corresponding period last year. The pace of growth for the PRC rheumatic drugs market is still relatively faster than the overall pharmaceutical market. Having engaged in the rheumatic market for 8 years and by leveraging on its brand, the Company is able to enjoy the benefits resulting from the market expansion.

Pafulin and Tuoshu, which are the core products of the Company, recorded satisfactory growth in sales. Given the sharp increase in the amount and number of people covered by medical insurance, the Company has actively promoted the sales of Pafulin and Tuoshu (both products are included in the State Medical Insurance Catalogue (國家醫保目錄)) in the second and third-tier cities while cooperating with the Chinese Medical Doctor Association Division of Rheumatology (風濕免疫科醫師分會), a member of the Chinese Medical Doctor's Association to organize the "Chinese Rheumatic Doctor Cornerstone Development Scheme (中國風濕病學科醫師基石發展計劃)". The scheme is a continual education program aiming to nurture leading rheumatic doctors in the second and third-tier cities. This activity contributed to Pafulin's sales growth. Sales of US\$10.7 million were recorded during the first half of 2010, resulting in a 40% increase compared with the same period last year. The Company continues to adopt a highly competitive pricing strategy for Tuoshu. Meanwhile, with more efforts being dedicated to promotion at various academic conferences, the market for Tuoshu continues to expand. During the first half of the year, the sales of Tuoshu were US\$4.7 million, representing a growth of 27% over the corresponding period last year. The stable growth of these two major products has made a major contribution to the results of the Company.

Mycophenolate Mofetil Capsules ("MMF"), a new agency product was launched successfully. With its highly efficient, unique immunosuppressive effect (harmless to liver and kidneys), MMF is used in the treatment of system lupus erythematosus and lupus related kidney diseases and is also applicable to the treatment of various autoimmune rheumatic diseases and other kidney diseases, ensuring a widespread future usage in the market. The Company officially launched the marketing program during the Annual National Rheumatic Conference held in May. Sales of over US\$0.1 million were recorded in a little over a month's time. This

represents the support of the rheumatic community for the Company and the market's recognition of MMF. It is believed that MMF will make an important contribution to the sales and profit of the Company in the future.

The non-core business also recorded encouraging sales growth. Leveraging on the well established distribution channels within the Yangtze Delta, the Company launched its distribution in lower-tier markets, in which sales are growing at a faster pace. Meanwhile, many of the Company's drugs have won tenders conducted for the National Essential Drug List in the Zhejiang Province, through which the Company has actively expanded its sales in the Zhejiang Province. All these developments contributed to the 53% increase in the sales of non-core drugs with sales amounting to US\$9.6 million, which accounted for 34% of the Company's sales.

The above factors contributed to the solid results of the Company in the first half of the year.

The Group's product development and research are principally focused on products for the treatment of autoimmune rheumatic disease, which is our core business. As at 30 June 2010, the Group has seven products in the pipeline. We are also launching an in-depth development of our core product "Pafulin", aiming to develop new upgraded products from Pafulin with higher and broadened effectiveness in the treatment of rheumatic disease.

The Group is committed to the strategy of collective development and individual research and development, identifying product acquisition opportunities, persistently enhancing the standard and pace of the Group's research and development. Our research priorities are based on market demand and the latest progress in related fields, to maintain the market value and leading status of our products.

Future Prospects

Driven by the positive fiscal policy of the government, the PRC economy has experienced rapid growth. Together with the RMB850 billion medical reform, the pharmaceutical market is set to expand in 2010. The autoimmune rheumatic market is still experiencing a faster pace of growth than the overall pharmaceutical industry and the Company has managed to maintain its leadership in the sale of disease-modifying antirheumatic drugs ("DMARDs").

Future business. For our core rheumatic business, the Company plans to implement a more aggressive marketing strategy for our established brands as follows: develop closer cooperation with various associations and rheumatic specialists to jointly promote the development of rheumatic know-how while actively engaging in patient education; increase penetration of the second and third-tier markets.

The strategy of the Company's non-core business will closely follow the State's policy of promoting the basic healthcare insurance programs to fully cover urban as well as rural residents. We will set our sights on the affluent areas within the Yangtze Delta region. We will also accelerate the sale of drugs covered by the National Essential Drug List in the Zhejiang Province and strengthen the cost control over the production of non-core drugs so as to increase the overall profit contribution from this segment of our business.

Future Development Plan. The Company is determined to maintain its leading status in the DMARDs market by introducing more new products and increasing its market share. To penetrate into other segments of the rheumatic drugs market, we will leverage on our existing presence, brand awareness and substantial marketing network, to market biological agents,

hormones and anti-inflammatory and analgesic drugs which we plan to acquire or develop. Based on the experience we have obtained in treating autoimmune rheumatic diseases, we will over time carefully enter into other immune disease related drug markets.

We are determined to develop the second and third-tier markets by collaborating with rheumatic associations and rheumatic doctor associations to nurture more rheumatology specialist. We will expand our marketing network by launching continual education programs for doctors in the second and third-tier cities. Together with the rheumatic department of hospitals, we will meet regularly with patient groups to increase the number of patients who rely on our drugs on a long-term basis. We will strive to boost the sales of the Company's products while creating value for our shareholders.

Looking forward, the Company is optimistic about the growth of the PRC pharmaceutical market and plans to seize business opportunities arising from the surging demand for pharmaceuticals. The Company is aiming to strengthen its competitive edge by optimizing and enhancing its product portfolios to maximize shareholder returns.

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of US\$28.4 million (30 June 2009: US\$20.8 million) for the six months ended 30 June 2010, representing an increase of 36% over the corresponding period last year.

The increase in the Group's revenue during the Period was mainly attributable to the stable growth in income from its two core rheumatic specialty prescription western pharmaceuticals, Pafulin and Tuoshu, as well as the sustained development of its non-core businesses. Supported by the Chinese government's increasing efforts to improve the quality of public healthcare, the Group further expanded its sales and distribution network in the second and third-tier cities and cooperated with medical societies to extend the training for rheumatic professionals. This resulted in stable growth for the Group's rheumatic prescription products. With the launch of the Essential Drug List by the Chinese government and leveraging on the well established distribution channels in the well-off Yangtze River Delta region, the Group's non-core businesses had achieved rapid growth.

Other Income

Other income, including interest income and government subsidies, amounted to US\$0.9 million for the six months ended 30 June 2010, representing an increase of 98% over US\$0.5 million recorded in the corresponding period last year. This increase was mainly attributable to the Ningbo government's award of US\$0.5 million to the Group for its successful listing.

Selling and Distribution Expenses and Administration Expenses

Selling and distribution expenses primarily consisted of i) promotion costs through holding seminars, conferences and related expenses ii) staff costs and iii) rental expenses. For the six months ended 30 June 2010, selling and distribution expenses amounted to US\$8.7 million, increased from approximately US\$7.8 million in the corresponding period last year. The increase was mainly attributable to the increased promotion costs.

Administrative expenses including staff salaries, depreciation expenses and other general administration expenses amounted to US\$4.1 million representing an increase of 65% over US\$2.5 million recorded in the corresponding period last year. The increase was mainly attributable to the listing related expenses of US\$0.6 million.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2010 grew by 49% to US\$5.0 million as compared to US\$3.4 million for the same period last year.

Working Capital

The inventory turnover of the Group was 78 days for the six months ended 30 June 2010 as compared to 53 days for the same period last year. The increase in the turnover was mainly attributable to the upward trend for prices of raw materials in the PRC during the Period, which led to our stocking up inventory of raw materials for our major products in order to minimize the cost impact.

The Group's debtors' turnover (including both trade and bills receivables) was 122 days for the six months ended 30 June 2010 as compared to 133 days for the same period last year. The decrease in turnover days was mainly attributable to the Group's effort in reinforcing customer management.

The Group's creditors' turnover was 98 days for the six months ended 30 June 2010 as compared to 130 days for the same period last year. The decrease in turnover days was mainly attributable to the Group's efforts to reduce the credit period for settlement with suppliers in return for more competitive prices to cope with the general increase in the price of raw materials.

IPO Proceeds

On 7 May 2010, the Company was successfully listed on the Main Board of the Stock Exchange. The IPO was well received by investors through both the international placing and the Hong Kong public offer. On 28 May 2010, the sole Bookrunner on behalf of the international underwriters exercised an over-allotment option granted by the Company to the Sole Global Coordinator and 15 million shares in the share capital of the Company were issued to cover over-allotment in the international placing. The total net proceeds received by the Company from the IPO, after netting of share issue costs, was approximately HK\$408.9 million (equivalent to approximately US\$52.5 million).

As disclosed in the Prospectus issued by the Company, the Group intends to use the proceeds for product development and research, funding the acquisition of pharmaceutical companies and/or purchase of production technologies or product approvals, increasing production capacity, expansion of sales and distribution network and general working capital.

Foreign Currency Risk

The majority of the Group's businesses are in the PRC and are denominated in RMB, HKD and USD. The Group is of the opinion that its exposure to foreign exchange rate risk is limited.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

LIQUIDITY AND CAPITAL RESOURCES

The Group is financed by share capital, internally-generated funds and external borrowings.

The cash and cash equivalents amounted to US\$36.7 million as at 30 June 2010 (31 December 2009: US\$4.1 million). As at 30 June 2010, the Group recorded borrowings of US\$8.2 million (31 December 2009: US\$19.3 million).

Cash Flows

For the six months ended 30 June 2010, net cash inflow from operating activities amounted to US\$2.3 million (30 June 2009: US\$0.9 million), attributable primarily to increased cash inflow from the Company's revenue.

Net cash used in investing activities for the six months ended 2010 amounted to US\$6.0 million (30 June 2009: US\$0.2 million), consisting primarily of pledged bank deposits of US\$4.1 million and purchase of property, plant and equipment of US\$1.5 million.

Net cash generated from financing activities for the six months ended 2010 were US\$36.2 million, consisting primarily of net proceeds from listing of US\$53.1 million, net repayments of borrowings of US\$11.2 million and payments of dividends of US\$5.4 million.

Material Acquisitions and Disposals

There were no other material acquisitions or disposals of any subsidiaries, associates or joint ventures of the Group during the six months ended 30 June 2010.

Contingent Liabilities

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or arbitration of material importance is pending or threatened against the Company or any of its subsidiaries.

Charges on Assets

As at 30 June 2010, certain bank deposits, building and plant, and land use rights in an aggregate carrying amount of approximately US\$8.8 million (31 December 2009: US\$12.4 million) were pledged to secure the banking facilities and borrowings.

Capital Expenditure

Capital expenditure on property, plant and equipment for the first six months of 2010 was US\$1.5 million, compared to US\$0.7 million in the same period of 2009.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company. In addition, the Company has not redeemed any of its listed securities during the Period.

LISTING OF THE SHARES OF THE COMPANY

The shares of the Company have been successfully listed on the Stock Exchange since 7 May 2010. The total number of issued shares of the Company as at 7 May 2010 was 400,000,000.

On 28 May 2010, the over-allotment options were exercised, 15,000,000 over-allotment shares were issued and allotted by the Company. The total number of issued shares of the Company increased to 415,000,000 shares immediately after the issue of the over-allotment shares.

As at 30 June 2010 and the date of this announcement, the total number of issued shares was 415,000,000 shares.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions and recommended best practices under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the period from 7 May 2010 to 30 June 2010.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions of the Directors on terms no less exacting than the required standard of dealings specified in the Model Code set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code and the Company's own code of conduct regarding directors' securities transactions adopted since the Company's listing.

AUDIT COMMITTEE

The Company has established an audit committee. Members of the audit committee include 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. Robert Peter Thian, and Mr. Tang Chiu Ping, Raymond.

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed and reviewed auditing and financial matters, including major internal control procedures and the interim results for the Period.

REMUNERATION COMMITTEE

The Company has established the remuneration committee in accordance with the requirements of Appendix 14 of the Listing Rules to ensure there is a formal and transparent procedure in place for setting policy on the remuneration of the Directors and senior management.

Members of the remuneration committee include two non-executive Directors, namely Mr. Lee Jin Yi (Chairman) and Mr. Stephen Burnau Hunt, and three independent non-executive Directors, namely Mr. Robert Peter Thian, Mr. Chan Kee Huen, Michael and Mr. Tang Chiu Ping, Raymond.

EXECUTIVE COMMITTEE

The Board has established the executive committee, which is responsible for reviewing the financials and financial-related matters as well as issues regarding the management, operations and risk management of the Company and any matters which are within the ordinary course of the Company's business under the control and supervision of the Board.

Currently, the members of the executive committee include three non-executive Directors, namely Mr. Lee Jin Yi (Chairman), Ms. Yip Pui Ling Rebecca, and Ms. Tao Fang Fang, and two executive Directors, namely Mr. Xu Jun and Mr. Liu Xiao Dong.

GENERAL INFORMATION

The Group's consolidated interim results have been audited by Grant Thornton, the auditors of the Company, in accordance with the International Standards on Auditing. The comparative figures in the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows in respect of the six months ended 30 June 2009 and the related notes disclosed in consolidated interim financial statements are derived from the management accounts of the Group and have not been audited.

The opinion of the independent auditors' report on the consolidated financial statements for the six months ended 30 June 2010 is as follows:

“In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and of the Group's profit and cash flows for the six months ended 30 June 2010 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.”

“Without qualifying our opinion, we draw your attention to the fact that the corresponding figures set out in the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes for the six months ended 30 June 2009 have not been audited.”

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.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 2010 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 in the last six months.

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

Hong Kong, 27 August 2010

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. Robert Peter Thian, Mr. Chan Kee Huen, Michael and Mr. Tang Chiu Ping, Raymond.