

Edgar Filing: Sincere Pharmaceutical Group - Form 6-K

Sincere Pharmaceutical Group

Form 6-K

November 12, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of November 2010**

**Commission Filing Number: 001-33398**

**Simcere Pharmaceutical Group  
(Translation of registrant's name into English)**

**No. 699-18 Xuan Wu Avenue,  
Xuan Wu District, Nanjing  
Jiangsu Province 210042  
People's Republic of China  
(Address of principal executive offices)**

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

SIMCERE PHARMACEUTICAL GROUP  
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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Simcere Pharmaceutical Group

By: /s/ Zhigang Zhao

Name: Zhigang Zhao

Title: Chief Financial Officer

DATE: November 11, 2010

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**Exhibit 99.1**

**SIMCERE PHARMACEUTICAL GROUP REPORTS UNAUDITED THIRD QUARTER 2010 RESULTS**

NANJING, CHINA, November 11, 2010 Simcere Pharmaceutical Group ( Simcere or the Company ) (NYSE: SCR), a leading pharmaceutical company specializing in the development, manufacturing, and marketing of branded generic and proprietary pharmaceuticals in China, today reported unaudited financial results for the quarter ended September 30, 2010.

**Highlights**

<sup>2</sup> **Total revenue** was RMB550.1 million (US\$82.2 million) for the third quarter of 2010, an increase of 24.0% from RMB443.7 million for the same period in 2009.

<sup>2</sup> **Gross margin** for the third quarter of 2010 was 84.8%, compared to 82.2% for the same period in 2009.

<sup>2</sup> **Income from operations** was RMB61.6 million (US\$9.2 million) for the third quarter of 2010, an increase of 111.9% from RMB29.0 million for the same period in 2009.

<sup>2</sup> **Net income attributable to Simcere** was RMB54.7 million (US\$8.2 million) for the third quarter of 2010, an increase of 232.7% from RMB16.4 million for the same period in 2009.

Mr. Jinsheng Ren, Chairman and Chief Executive Officer of Simcere Pharmaceutical Group, commented, Simcere achieved solid revenue and net profit growth this quarter, both reaching record highs for the past eight quarters. Endu sales also saw sustained recovery as our sales force restructuring continues to pay off.

We are very proud of our recent progress in establishing R&D partnerships, Mr. Ren continued. Simcere's agreement with Bristol-Myers Squibb is a milestone cooperative effort between a Chinese pharmaceutical leader and an international biopharma company to create a more effective model for the development of innovative drugs.

**2010 Third Quarter Financial Results**

**Total revenue** for the third quarter of 2010 was RMB550.1 million (US\$82.2 million), which represented an increase of 24.0% from RMB443.7 million for the same period in 2009. For the first nine months of 2010, total revenue was RMB1,553.4 million (US\$232.2 million), which represented an increase of 18.5% from RMB1,310.6 million for the same period in 2009.

**Revenue from edaravone injection products** under the brand names Bicun and Yidasheng totaled RMB202.8 million (US\$30.3 million) for the third quarter of 2010, which constituted 37.4% of the Company's product revenue for the third quarter of 2010, and represented an increase of 6.1% from RMB191.1 million for the same period in 2009. For the first nine months of 2010, revenue from Bicun and Yidasheng totaled RMB569.5 million (US\$85.1 million), which represented an increase of 6.7% from RMB533.7 million for the same period in 2009.

**Revenue from Endu**, the Company's patented anti-cancer biotech product, amounted to RMB64.0 million (US\$9.6 million) in the third quarter of 2010, which constituted 11.8% of the Company's product revenue for the third quarter of 2010 and represented an increase of 195.6% from RMB21.6 million for the same period in 2009. For the first nine months of 2010, revenue from Endu totaled RMB155.2 million (US\$23.2 million), which represented an increase of 71.9% from RMB90.2 million for the same period in 2009.

**Revenue from Sinofuan**, a 5-FU sustained release implant for the treatment of cancer, amounted to RMB48.2 million (US\$7.2 million) for the third quarter of 2010, which constituted 8.9% of the Company's product revenue for the third quarter of 2010, and represented an increase of 34.0% from RMB36.0 million for the same period in 2009. For the first

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nine months of 2010, revenue from Sinofuan totaled RMB115.7million (US\$17.3 million), which represented an increase of 21.0% from RMB95.7 million for the same period in 2009.

**Revenue from other products including Zailin and Yingtaiqing** amounted to RMB222.8 million (US\$33.3 million), which constituted 41.1% of the Company's product revenue for the third quarter of 2010, and represented an increase of 17.1% from RMB190.3million for the same period in 2009. For the first nine months of 2010, revenue from other products totaled RMB640.9million (US\$95.8 million), which represented an increase of 10.7% from RMB578.9 million for the same period in 2009.

**Gross margin** for the third quarter of 2010 was 84.8%, compared to 82.2% for the same period in 2009. For the first nine months of 2010, gross margin was 84.0%, compared to 82.3% for the same period in 2009.

**Research and development expenses** for the third quarter of 2010 totaled RMB32.5million (US\$4.9 million), which represented a decrease of 0.9% from RMB32.8 million for the same period in 2009. As a percentage of total revenue, research and development expenses were 5.9% for the third quarter of 2010, compared to 7.4% for the same period in 2009. For the first nine months of 2010, research and development expenses totaled RMB94.3 million (US\$14.1 million), compared to RMB82.9 million for the same period in 2009.

**Sales, marketing and distribution expenses** for the third quarter of 2010 were RMB298.7 million (US\$44.6 million), which represented an increase of 20.8% from RMB247.2 million for the same period in 2009. The increase in expense was primarily due to the hiring of additional staff and higher advertising expenses for two of the Company's OTC branded generics, Yingtaiqing and Biqi, as well as marketing activities for newly-launched products. As a percentage of total revenue, sales, marketing and distribution expenses were 54.3% for the third quarter of 2010, compared to 55.7% for the same period in 2009. For the first nine months of 2010, sales, marketing and distribution expenses were RMB855.5 million (US\$127.9 million), which represented an increase of 21.8% from RMB702.5 million for the same period in 2009.

**General and administrative expenses** were RMB74.0 million (US\$11.1 million) for the third quarter of 2010, which represented an increase of 33.1% from RMB55.6 million for the same period in 2009. As a percentage of total revenue, general and administrative expenses increased to 13.5% for the third quarter of 2010 from 12.5% for the same period in 2009. For the first nine months of 2010, general and administrative expenses were RMB199.9 million (US\$29.9 million), which represented an increase of 20.6% from RMB165.8 million for the same period in 2009.

**Share-based compensation expense**, which was allocated to research and development expenses, sales, marketing and distribution expenses, and general and administrative expenses, based on the nature of the work that the employee was assigned to perform, totaled RMB7.6 million (US\$1.1 million) for the third quarter of 2010. Share-based compensation expenses for the third quarter of 2009 were RMB5.8 million. For the first nine months of 2010, share-based compensation expenses totaled RMB23.0 million (US\$3.4 million), which represented an increase of 30.3% from RMB17.7 million for the same period in 2009.

**Income from operations** was RMB61.6 million (US\$9.2 million) for the third quarter of 2010, which represented an increase of 111.9% from RMB29.0 million for the same period in 2009. For the first nine months of 2010, operating income was RMB155.1 million (US\$23.2 million), which represented an increase of 21.2% from RMB128.0 million for the same period in 2009.

**Income tax expense** for the third quarter of 2010 was RMB5.9 million (US\$0.9 million), compared to RMB4.7 million for the same period in 2009. The effective income tax rate decreased to 10.4% for the third quarter of 2010 from 17.2% for the same period in 2009. The decrease was primarily due to the reversal of valuation allowance against deferred tax assets. For the first nine months of 2010, income tax expense was RMB17.5 million (US\$2.6 million) compared to RMB8.8 million for the same period in 2009.

**Net income attributable to Simcere** was RMB54.7 million (US\$8.2 million) for the third quarter of 2010, compared to RMB16.4 million for the same period in 2009. Net income margin was 9.9% for the third quarter of 2010, compared to 3.7% for the same period of 2009. For the first nine months of 2010, net income was RMB113.7 million (US\$17.0 million), which represented an increase of 11.7% from RMB101.8 million for the same period in 2009. Net margin for the first nine months of 2010 was 7.3% as compared to 7.8% for the same period in 2009.

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**Basic and diluted earnings per American Depository Share ( ADS )** for the third quarter of 2010 were RMB1.02 (US\$0.15) and RMB0.99 (US\$0.15) respectively. Basic and diluted earnings per ADS for the first nine months of 2010 were RMB2.09 (US\$0.31) and RMB2.04 (US\$0.30) respectively. One ADS represents two ordinary shares of the Company.

As of September 30, 2010, the Company had **cash, cash equivalents and restricted cash** of RMB178.9 million (US\$26.7 million), compared to RMB458.1 million as of December 31, 2009.

In October and November 2009 Simcere entered into agreements to acquire Jiangsu Yanshen through the acquisition of the entire equity interest in ChinaVax, a Cayman Islands company that, as its sole business, held a 15% stake in Jiangsu Yanshen for cash consideration. As the Company discovered quality control problems relating to the production of Jiangsu Yanshen's human use rabies vaccine, a portion of the consideration in the amount of US\$4.5 million has not been paid. In October 2010, the selling shareholders of ChinaVax filed an arbitration proceeding with the Hong Kong International Arbitration Centre claiming for the balance of the consideration the Company has withheld and the interest accrued at the annual rate of 5% from February 4, 2010.

**Financial Statements**

The unaudited condensed consolidated statements of income and balance sheets accompanying this press release have been prepared by management using U.S. GAAP. These financial statements are not intended to fully comply with U.S. GAAP because they do not present all of the financial statements and disclosures required by U.S. GAAP.

**Safe Harbor Statement**

This press release contains forward-looking statements. These statements constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as anticipate, believe, estimate, expect, forecast, intend, may, plan, project, predict, should, expressions. In particular, the quotations from management in this press release and the section under Financial Outlook contain forward-looking statements. These forward looking statements are based upon management's current views and expectations with respect to future events and are not a guarantee of future performance. Furthermore, these statements are, by their nature, subject to a number of risks and uncertainties that could cause actual performance and results to differ materially from those discussed in the forward-looking statements as a result of a number of factors. Further information regarding these and other risks is included in Simcere's filings with the U.S. Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov). Simcere does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

**Conference Call**

Simcere Pharmaceutical Group will host a conference call to discuss the Company's results for the third quarter of 2010 on Thursday, November 11, 2010 at 8 a.m. Eastern Time (Thursday, November 11, at 9 p.m. Beijing/Hong Kong time). The management team will be on the call to discuss the results for third quarter of 2010 and to answer questions.

**To access the conference call, please dial:**

|   |                     |
|---|---------------------|
| United States toll-free dial-in number: | +1 866 831 6291     |
| International dial-in number:           | +1 617 213 8860     |
| North China toll-free dial-in number:   | +86 10 800 152 1490 |
| South China toll-free dial-in number:   | +86 10 800 130 0399 |
| China toll free / Netcom:               | +86 10 800 852 1490 |
| Hong Kong dial-in number:               | +852 3002 1672      |

Please ask to be connected to Simcere's Q3 2010 earnings call and provide the following passcode: 18468376. Simcere will also broadcast a live audio webcast of the conference call. The broadcast will be available by visiting the Investor Relations section of the Company's web site at [www.simcere.com](http://www.simcere.com).

**Following the earnings conference call, an archive of the call will be available by dialing:**

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United States toll-free dial-in number: +1 888 286 8010

United States dial-in number: +1 617 801 6888

The passcode for replay participants is: 16680817. The telephone replay also will be archived on the Investor Relations section of the Company's web site for seven days following the earnings announcement.

**About Simcere Pharmaceutical Group**

Simcere Pharmaceutical Group (NYSE:SCR, Simcere) is a leading pharmaceutical company specializing in the development, manufacturing, and marketing of branded generic and proprietary pharmaceuticals in China. In recent years, Simcere has been focusing its strategy on the development of innovative pharmaceuticals and first-to-market generics. The Company has introduced an innovative anti-cancer medication, Endu, first-to-market generics such as Bicun and Anxin, and a first-to-market medication, Sinofuan. Simcere manufactures and sells drugs in the oncological, cardiovascular, anti-inflammatory and anti-infection therapeutical areas. Simcere concentrates its research and development efforts on the treatment of diseases with high incidence or mortality rates and for which there is a clear demand for more effective pharmacotherapy including cancer and cardiovascular, cerebrovascular, inflammatory and infectious diseases. For more information about Simcere Pharmaceutical Group, please visit [www.simcere.com](http://www.simcere.com).

**Investor and Media Contacts:**

Email: [ir@simcere.com](mailto:ir@simcere.com)

**In Nanjing:**

Frank Zhao

Chief Financial Officer

Simcere Pharmaceutical Group

Tel: +86 25 8556 6666 ext 8818

**In the United States:**

Kate Tellier

Brunswick Group

Tel: +1 212 333 3810

**In Beijing:**

Ruirui Jiang

Brunswick Group

Tel: +86 10 6566 2256

**In Hong Kong:**

Joseph Lo Chi-Lun

Brunswick Group

Tel: +852 3512 5000



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(AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT SHARE AND ADS DATA)

|  | Three months ended September 30, |                |               | Nine months ended September 30 |                  |                |
|--|----------------------------------|----------------|---------------|--------------------------------|------------------|----------------|
|  | 2009<br>RMB                      | 2010<br>RMB    | 2010<br>USD   | 2009<br>RMB                    | 2010<br>RMB      | 2010<br>USD    |
| Product revenue  | 439,015                          | 541,971        | 81,006        | 1,298,511                      | 1,538,609        | 229,969        |
| Other revenue  | 4,720                            | 8,157          | 1,219         | 12,106                         | 14,756           | 2,206          |
| <b>Total revenue</b>                                   | <b>443,735</b>                   | <b>550,128</b> | <b>82,225</b> | <b>1,310,617</b>               | <b>1,553,365</b> | <b>232,175</b> |
| Cost of materials and production                       | (79,045)                         | (83,348)       | (12,458)      | (231,478)                      | (248,543)        | (37,149)       |
| <b>Gross profit</b>                                    | <b>364,690</b>                   | <b>466,780</b> | <b>69,767</b> | <b>1,079,139</b>               | <b>1,304,822</b> | <b>195,026</b> |
| Operating expenses:                                    |                                  |                |               |                                |                  |                |
| Research and development                               | (32,808)                         | (32,502)       | (4,858)       | (82,852)                       | (94,289)         | (14,093)       |
| Sales, marketing and distribution                      | (247,241)                        | (298,712)      | (44,647)      | (702,528)                      | (855,536)        | (127,873)      |
| General and administrative                             | (55,592)                         | (74,015)       | (11,063)      | (165,779)                      | (199,895)        | (29,877)       |
| <b>Income from operations</b>                          | <b>29,049</b>                    | <b>61,551</b>  | <b>9,199</b>  | <b>127,980</b>                 | <b>155,102</b>   | <b>23,183</b>  |
| Interest income  | 1,885                            | 842            | 126           | 7,403                          | 3,204            | 479            |
| Interest expense                                       | (4,005)                          | (5,438)        | (813)         | (8,680)                        | (14,455)         | (2,161)        |
| Foreign currency exchange gains                        | 122                              | 2,417          | 361           | 350                            | 3,634            | 543            |
| Other income   |                                  | 1,059          | 158           | 1,092                          | 2,150            | 321            |
| Equity in losses of equity method affiliated companies |                                  | (3,534)        | (528)         |                                | (11,237)         | (1,679)        |
| <b>Earnings before income taxes</b>                    | <b>27,051</b>                    | <b>56,897</b>  | <b>8,503</b>  | <b>128,145</b>                 | <b>138,398</b>   | <b>20,686</b>  |
| Income tax expense                                     | (4,662)                          | (5,943)        | (888)         | (8,831)                        | (17,474)         | (2,612)        |
| <b>Net Income</b>                                      | <b>22,389</b>                    | <b>50,954</b>  | <b>7,615</b>  | <b>119,314</b>                 | <b>120,924</b>   | <b>18,074</b>  |
| Less: Net (income)/loss attributable to the            | (5,958)                          | 3,713          | 555           | (17,469)                       | (7,209)          | (1,077)        |

noncontrolling  
interest

**Net income  
attributable to  
Simcere**

|               |               |              |                |                |               |
|---------------|---------------|--------------|----------------|----------------|---------------|
| <b>16,431</b> | <b>54,667</b> | <b>8,170</b> | <b>101,845</b> | <b>113,715</b> | <b>16,997</b> |
|---------------|---------------|--------------|----------------|----------------|---------------|

**Earnings per  
share  
attributable to  
Simcere:**

|       |             |             |             |             |             |             |
|-------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic | <b>0.15</b> | <b>0.51</b> | <b>0.08</b> | <b>0.87</b> | <b>1.04</b> | <b>0.16</b> |
|-------|-------------|-------------|-------------|-------------|-------------|-------------|

|         |             |             |             |             |             |             |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|
| Diluted | <b>0.14</b> | <b>0.49</b> | <b>0.07</b> | <b>0.87</b> | <b>1.02</b> | <b>0.15</b> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|

**Earnings per  
ADS attributable  
to Simcere:**

|       |             |             |             |             |             |             |
|-------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic | <b>0.29</b> | <b>1.02</b> | <b>0.15</b> | <b>1.75</b> | <b>2.09</b> | <b>0.31</b> |
|-------|-------------|-------------|-------------|-------------|-------------|-------------|

|         |             |             |             |             |             |             |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|
| Diluted | <b>0.29</b> | <b>0.99</b> | <b>0.15</b> | <b>1.73</b> | <b>2.04</b> | <b>0.30</b> |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|

Weighted average  
number of  
common shares:

|       |             |             |             |             |             |             |
|-------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic | 112,724,593 | 107,592,947 | 107,592,947 | 116,466,445 | 108,829,076 | 108,829,076 |
|-------|-------------|-------------|-------------|-------------|-------------|-------------|

|         |             |             |             |             |             |             |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|
| Diluted | 114,929,639 | 110,677,771 | 110,677,771 | 117,663,824 | 111,704,306 | 111,704,306 |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|

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**SIMCERE PHARMACEUTICAL GROUP**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(AMOUNTS EXPRESSED IN THOUSANDS)

|  | <b>December<br/>31,<br/>2009<br/>RMB</b> | <b>September<br/>30,<br/>2010<br/>RMB</b> | <b>September<br/>30,<br/>2010<br/>USD</b> |
|--|--|---|---|
| <b>Assets</b>  |  |   |   |
| <i>Current assets</i>  |  |   |   |
| Cash, cash equivalents and restricted cash                   | 458,145                                  | 178,940                                   | 26,745                                    |
| Accounts and bills receivable, net                           | 704,321                                  | 777,023                                   | 116,138                                   |
| Inventories  | 106,655                                  | 101,562                                   | 15,180                                    |
| Other current assets   | 102,743                                  | 113,954                                   | 17,032                                    |
| <b>Total current assets</b>                                  | <b>1,371,864</b>                         | <b>1,171,479</b>                          | <b>175,095</b>                            |
| Property, plant and equipment, net                           | 758,246                                  | 836,606                                   | 125,043                                   |
| Land use rights  | 146,158                                  | 143,707                                   | 21,479                                    |
| Goodwill and intangible assets, net                          | 695,267                                  | 666,307                                   | 99,590                                    |
| Investments in and advance to affiliated companies           | 121,865                                  | 124,263                                   | 18,573                                    |
| Other assets   | 44,502                                   | 40,125                                    | 5,997                                     |
| <b>Total assets</b>  | <b>3,137,902</b>                         | <b>2,982,487</b>                          | <b>445,777</b>                            |
| <b>Liabilities</b>   |  |   |   |
| <i>Current liabilities</i>                                   |  |   |   |
| Short-term borrowings and current portion of long-term debts | 76,000                                   | 135,700                                   | 20,282                                    |
| Accounts payable   | 41,439                                   | 47,673                                    | 7,126                                     |
| Bills payable  | 110,810                                  |   |   |
| Other payables and accrued liabilities                       | 464,616                                  | 543,655                                   | 81,256                                    |
| <b>Total current liabilities</b>                             | <b>692,865</b>                           | <b>727,028</b>                            | <b>108,664</b>                            |
| Long-term debts, excluding current portion                   | 122,685                                  | 93,455                                    | 13,968                                    |
| Deferred tax liabilities                                     | 93,108                                   | 82,971                                    | 12,401                                    |
| Other liabilities  | 21,561                                   | 22,335                                    | 3,338                                     |
| <b>Total liabilities</b>                                     | <b>930,219</b>                           | <b>925,789</b>                            | <b>138,371</b>                            |
| <b>Redeemable noncontrolling interest</b>                    |  | <b>46,572</b>                             | <b>6,961</b>                              |
| <b>Shareholders' equity</b>                                  |  |   |   |
| <i>Simcere shareholders' equity</i>                          |  |   |   |
| Ordinary shares at par                                       | 8,716                                    | 8,454                                     | 1,264                                     |
| Additional paid-in capital                                   | 1,170,687                                | 902,540                                   | 134,899                                   |
| Accumulated other comprehensive loss                         | (43,886)                                 | (32,708)                                  | (4,889)                                   |
| Retained earnings  | 846,707                                  | 960,422                                   | 143,550                                   |
| <b>Total equity attributable to Simcere</b>                  | <b>1,982,224</b>                         | <b>1,838,708</b>                          | <b>274,824</b>                            |
| Noncontrolling interest                                      | 225,459                                  | 171,418                                   | 25,621                                    |

|  |                  |                  |                |
|--|------------------|------------------|----------------|
| <b>Total shareholders equity</b>   | <b>2,207,683</b> | <b>2,010,126</b> | <b>300,445</b> |
| Commitments and contingencies  |                  |                  |                |
| <b>Total liabilities, redeemable noncontrolling interest and shareholders equity</b> | <b>3,137,902</b> | <b>2,982,487</b> | <b>445,777</b> |

Note: The conversions of Renminbi (RMB) into United States dollars (USD) as at the reporting dates are based on the noon buying rate of USD1.00 = RMB6.6905 on September 30, 2010 as set forth in the H. 10 statistical release of the Federal Reserve Board. No representation is intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into U.S. dollars at that rate on the reporting dates.