上 海 復 旦 張 江 生 物 醫 藥 股 份 有 限 公 司

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 8231)

Annual Results Announcement
For the year ended 31 December 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

The board of directors (the "Board") of the Company announces the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2012 as follows:

FINANCIAL DATA HIGHLIGHT

Results

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Turnover	**232,527**	133,890
Operating profit	**63,866**	42,489
Finance costs	**(6,166)**	(4,862)
Profit before income tax	**57,700**	37,627
Income tax expense	**(5,264)**	(5,255)
Profit for the year	**52,436**	32,372
Profit attributable to shareholders of the Company	**53,159**	30,826
Non-controlling interests	**(723)**	1,546
Total comprehensive income for the year	**52,446**	32,362
Total comprehensive income attributable to shareholders of the Company	**53,166**	30,819
Non-controlling interests	**(720)**	1,543
EBITDA	**74,874**	49,313
Basic and diluted earnings per share for profit attributable to the shareholders of the Company (RMB)	**0.0749**	0.0434

Assets and Liabilities

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Total assets	**537,296**	358,881
Total liabilities	**(277,183)**	(157,814)
	260,113	201,067
Capital and reserves attributable to shareholders of the Company	**223,228**	170,062
Non-controlling interests	**36,885**	31,005
	260,113	201,067

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts are shown in RMB thousands unless otherwise stated)

	Year ended 31 December	
	2012	**2011**
Turnover	232,527	133,890
Cost of sales	(23,557)	(23,034)
Gross profit	208,970	110,856
Other income	48,223	36,868
Research and development costs	(45,312)	(32,891)
Distribution and marketing costs	(126,620)	(54,596)
Administrative expenses	(16,810)	(17,371)
Other operating expenses	(4,585)	(377)
Operating profit	63,866	42,489
Finance costs	(6,166)	(4,862)
Profit before income tax	57,700	37,627
Income tax expense	(5,264)	(5,255)
Profit for the year	52,436	32,372
Other comprehensive income		
Available-for-sale investments	10	(10)
Total comprehensive income for the year	52,446	32,362
Profit / (Loss) attributable to:		
Shareholders of the Company	53,159	30,826
Non-controlling interests	(723)	1,546
	52,436	32,372
Total comprehensive income attributable to:		
Shareholders of the Company	53,166	30,819
Non-controlling interests	(720)	1,543
	52,446	32,362
Basic and diluted income per share for income attributable to the shareholders of the Company (RMB)	0.0749	0.0434

CONSOLIDATED BALANCE SHEET OF THE GROUP
AND BALANCE SHEET OF THE COMPANY

AS OF 31 DECEMBER 2012

(All amounts are shown in RMB thousands unless otherwise stated)

	Group		Company	
	As of 31 December		As of 31 December	
	2012	**2011**	**2012**	**2011**
Non-current assets				
Leasehold land payments	34,130	34,920	4,073	4,179
Property, plant and equipment	221,263	111,968	88,317	47,061
Technical know-how	1,645	77	125	51
Deferred costs	5,817	5,857	1,754	2,976
Investments in subsidiaries	-	-	79,113	72,213
Investment in an associate	-	-	-	-
Deferred income tax assets	4,364	2,235	4,141	2,235
Other non-current assets	4,796	-	4,796	-
	272,015	155,057	182,319	128,715
Current assets				
Inventories	6,943	18,723	6,546	16,915
Trade receivables	80,992	57,966	78,622	56,789
Other receivables, deposits and prepayments	10,718	15,461	9,307	14,985
Available-for-sale investments	-	11	-	-
Amount due from a related party	8,361	1,594	8,256	1,471
Amounts due from a subsidiary	-	-	11,131	5,785
Cash and cash equivalents	158,267	110,069	143,605	61,237
	265,281	203,824	257,467	157,182
Total assets	537,296	358,881	439,786	285,897

CONSOLIDATED BALANCE SHEET OF THE GROUP
AND BALANCE SHEET OF THE COMPANY (CONTINUED)

AS OF 31 DECEMBER 2012

(All amounts are shown in RMB thousands unless otherwise stated)

	Group		Company	
	As of 31 December		As of 31 December	
	2012	2011	2012	2011
Non-current liabilities				
Borrowings	40,000	40,000	-	-
Loans from government authorities	-	10,000	-	-
Deferred revenue	14,072	19,515	7,333	15,803
	54,072	69,515	7,333	15,803
Current liabilities				
Trade payables	43,827	5,357	43,543	4,771
Other payables and accruals	57,532	28,974	55,872	27,270
Current income tax liabilities	5,712	6,436	5,448	6,436
Amount due to a shareholder	-	1,500	-	1,500
Amount due to a subsidiary	-	-	8,348	15,400
Borrowings	76,498	26,660	73,500	26,660
Loans from government authorities	10,000	1,650	-	1,650
Deferred revenue	29,542	17,722	20,999	15,070
	223,111	88,299	207,710	98,757
Total liabilities	277,183	157,814	215,043	114,560
Capital and reserves attributable to shareholders of the Company				
Share capital	71,000	71,000	71,000	71,000
Reserves	152,228	99,062	153,743	100,337
	223,228	170,062	224,743	171,337
Non-controlling interests	36,885	31,005	-	-
Total equity	260,113	201,067	224,743	171,337
Total equity and liabilities	537,296	358,881	439,786	285,897
Net current assets	42,170	115,525	49,757	58,425
Total assets less current liabilities	314,185	270,582	232,076	187,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts are shown in RMB thousands unless otherwise stated)

1 BACKGROUND INFORMATION

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the “Company”) was established in the People’s Republic of China (“PRC”) on 11 November 1996 as a limited liability company with an initial registered capital of RMB5,295,000.

Pursuant to a series of capital injections on 10 November 1997, 11 May 2000, and 12 September 2000 from the existing or the then existing shareholders of the Company and the capitalisation of reserves of the Company on 11 December 1997 and 20 October 2000, the registered capital of the Company was increased from RMB5,295,000 to RMB53,000,000.

On 8 November 2000, the Company was transformed into a joint stock company with limited liability.

On 20 January 2002, all of the shares of the Company, being 53,000,000 ordinary shares with a par value of RMB1.00 each, were subdivided into 530,000,000 ordinary shares (“Domestic Shares”) with a par value of RMB0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 ordinary shares (“H shares”) of RMB0.10 each of the Company commenced on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including 18,000,000 H Shares converted from Domestic Shares. Therefore, the registered capital of the Company was increased to RMB71, 000,000.

On 4 February 2013, the company completed the placement of 142,000,000 H shares of RMB0.10. The placement price was HK 1.70 each share Therefore, the paid-in capital of the Company was increased to RMB85,200,000.

As at 31 December 2012, the Company had direct interests of 100%, 65%, 69.77% and 51% in four subsidiaries, Shanghai Morgan-Tan International Center for Life Sciences, Co., Ltd. (“Morgan-Tan”), Shanghai Ba Dian Medicine Co., Ltd. (“Ba Dian”), Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. (“Taizhou Pharmaceutical”) and Shanghai Suyuan Bio-technology Co., Ltd., (“Suyuan Bio-technology”) respectively.

The Company and its subsidiaries (together, the “Group”) are principally engaged in research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, manufacturing and selling of medical products and the provision of related ancillary services in the PRC.

The address of the Company’s registered office is 308 Cailun Road, Zhangjiang Hi-Tech Park, Pudong, Shanghai, PRC.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements have been prepared under the historical cost convention, except that the available-for-sale investments are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

New and amended standards adopted by the Group

The following amended standard is mandatory for the first time for the financial year beginning on 1 January 2012.

IFRS 7 (Revised)	Financial instruments: Disclosures
IAS 12 (Revised)	Income tax

The adoption of the above revised standard did not have any significant impacts to the Group.

The following new standards have been issued but are not effective and have not been early adopted. The directors anticipate that adoption of these new standards will not result in substantial changes to the Group's accounting policies.

IFRS 7 (Revised)	Financial instruments: Disclosures
IFRS 9	Financial Instruments
IFRS 10	Consolidated financial statements
IFRS 12	Disclosures of interests in other entities
IFRS 13	Fair value measurement
IAS 1 (Revised)	Financial statement presentation
IAS 19 (Revised)	Employee benefits
IAS 27 (Revised)	Separate financial statements
IAS 28 (Revised)	Associates and joint ventures
IAS 32 (Revised)	Financial Instruments: Presentation

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Inter-company transactions, Income and expenses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable, if applicable.

3 TURNOVER

The Group is principally engaged in research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, manufacturing and selling of medical products and the provision of related ancillary services in the PRC. Turnover recognised during the year are as follows:

	2012	**2011**
Sales of medical products and the provision of related ancillary services	225,880	129,723
Exclusive rights (Note (a))	5,000	4,167
Technology transfer revenue (Note (b))	1,647	-
	232,527	133,890

(a) In March 2011, the exclusive distribution rights of Doxorubicin Liposome Injection products was granted to a pharmaceutical distribution company for a period from the contract effective day to 28 February 2015 and a potential extension of another four years, at a total consideration of RMB 20,000,000, of which an amount of RMB 5,000,000 (2011: RMB 4,167,000) is recognised as technology transfer revenue in 2012.

(b) In 2004, the Company signed a technology transfer contract with Yongxin Bio-pharmaceutical Co., LTD. According to the contract, Yongxin Bio-pharmaceutical Co., LTD has to pay RMB 1,500,000 when the second period clinical trial success. The payment of RMB 1,500,000 was received and recognised as revenue in 2012.

At 25 March 2002, the Company signed a technology transfer contract with a pharmaceutical company in Shandong Province to transfer Recombinant Tissue Type Plasminogen Activator (r-tPA) for a total consideration of RMB15,000,000, which was completed in 2007. In addition, pursuant to the contract, the Company is entitled to receive royalty payments from the pharmaceutical company equal to 2%-5% of the future gross annual sales over a period of the 5 years. The royalty payment of RMB 147,000 (2011:nil) was received and recognised as revenue in 2012.

4 EXPENSES BY NATURE

	2012	2011
Amortisation of leasehold land payments	790	790
Less: amount capitalised in construction in progress	(684)	(663)
	106	127
Amortisation of deferred costs (included in 'Cost of sales')	1,222	1,470
Amortisation of technical know-how (included in 'Administrative expenses')	21	18
Auditors' remuneration	1,300	1,210
Provision for for impairment of receivables	623	209
Inventories write-down	-	2,367
Changes in inventories of finished goods and work in progress	954	(1,629)
Raw materials and consumables used	10,818	15,491
Depreciation of property, plant and equipment	9,659	5,209
Losses on disposal of property, plant and equipment	4,504	51
Operating lease rentals in respect of land and buildings	1,128	417
Research and development costs, excluding employee benefit expenses	32,356	22,138
Employee benefit expenses	49,156	38,493
Marketing and sales promotion	104,956	42,319
Others	81	379
Total of Cost of sales, research and development costs distribution and marketing costs, administrative expenses, and other operating expenses	216,884	128,269

5 INCOME TAX EXPENSE

	2012	2011
Current income tax	7,393	6,285
Deferred tax credit	(2,129)	(1,030)
	5,264	5,255

Effective from 1 January 2008, the Company and its subsidiaries shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China as approved by the National People's Congress on 16 March 2007. In 2009, the Company obtained an approval for a two-year full exemption of income tax from 2008 followed by a three-year 50% reduction. The effective tax rate of the Company is 12.5% in 2012 (2011: 12.5%). The effective tax rates of the subsidiaries are 25% in 2012(2011: 25%).

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate in the PRC applicable to the Group as follows:

	2012	2011
Profit before income tax	57,700	37,627
Tax calculated at a tax rate of 25%	14,425	9,407
Effect of unrecognised tax losses of the Group	628	131
Effect of tax exemption	(7,329)	(4,130)
Additional deduction of R&D expenditures	(281)	100
Utilisation of previously unrecognised deductible temporary differences	(2,251)	-
Utilisation of previously unrecognised tax loss	(248)	(474)
Expense not deductible for tax purpose	320	421
Tax charge	5,264	5,255

6 DIVIDENDS

At the meeting on 19 March 2013, the Board of Directors recommended not to distribute any dividends in respect of the year ended 31 December 2012.

At the meeting on 8 March 2012, the Board of Directors recommended not to distribute any dividends in respect of the year ended 31 December 2011.

7 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the earnings attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
Earnings attributable to shareholders of the Company (RMB thousands)	53,159	30,826
Weighted average number of ordinary shares in issue (thousands)	710,000	710,000
Basic earnings per share (RMB)	0.0749	0.0434

There is no difference between the basic and diluted earnings per share for the years ended 31 December 2012 and 2011 as there were no dilutive potential ordinary shares during the years then ended.

8 TRADE RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
Accounts receivables (Note(a))	58,773	51,331	56,423	50,154
Notes receivable (Note(b))	22,219	6,635	22,199	6,635
	80,992	57,966	78,622	56,789

(a) Details of the aging analysis of accounts receivable are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Current to 30 days	55,194	35,668	53,466	34,848
31 days to 60 days	2,068	7,169	1,752	7,066
61 days to 90 days	340	7,117	126	6,999
Over 90 days but less than one year	1,837	1,688	1,699	1,546
Over one year	346	544	318	502
	59,785	52,186	57,361	50,961
Less: provision for impairment	(1,012)	(855)	(938)	(807)
	58,773	51,331	56,423	50,154

Customers are generally granted credit term of 90 days.

As at 31 December 2012, trade receivables amounted to RMB 59,785,000(2011: RMB 57,361,000) were impaired and provided for. The amount of provision was RMB 1,012,000 (2011: RMB 938,000). As at 31 December 2012 and as at 31 December 2011, the accounts receivables aging over one year were fully impaired.

Movements on the provision for impairment of accounts receivable are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
At beginning of the year	855	646	807	646
Provision/(reversal of) for impairment of receivables	623	209	597	161
Receivables written off during the year as uncollectible	(466)	-	(466)	-
At end of the year	1,012	855	938	807

The creation and release of provision for impaired receivables have been included in 'Administrative expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Accounts receivable are unsecured and interest free.

(b) Notes receivable with no interests and guarantee are all bank acceptance notes with maturities less than six months and will be fully settled after the year end.

9 TRADE PAYABLES

	Group		Company	
	2012	**2011**	**2012**	**2011**
Accounts payables (Note (a))	34,742	5,357	34,458	4,771
Notes payables (Note (b))	9,085	-	9,085	-
	43,827	5,357	43,543	4,771

(a) Details of the aging analysis of accounts receivable are as follows:

	Group			Company
	2012	**2011**	**2012**	**2011**
Current to 30 days	33,522	3,985	33,239	3,399
31 days to 60 days	730	970	730	970
61 days to 90 days	6	35	5	35
Over 90 days but less than one year	267	214	267	214
Over one year	217	153	217	153
	34,742	5,357	34,458	4,771

Trade payables are unsecured and interest-free.

(b) Notes payables are all bank acceptance notes with maturities less than six months and will be fully paid after the year end.

10 RESERVES

(i) The reserves of the Group attributable to shareholders of the Company for the years ended 31 December 2012 and 31 December 2011 are as follows:

	Capital accumulation reserve (Note (a))	Statutory common reserve fund (Note (b))	Accumulated losses (Note (c))	Total
At 1 January 2011	211,240	2,829	(145,826)	68,243
Profit for the year 2011	-	-	30,826	30,826
Fair value change on available-for-sale investments	(7)	-	-	(7)
At 31 December 2011	211,233	2,829	(115,000)	99,062
Profit for the year 2012	-	-	53,159	53,159
Appropriation to statutory reserve fund	-	3,590	(3,590)	-
Fair value change on available-for-sale investments	7	-	-	7
At 31 December 2012	211,240	6,419	(65,431)	152,228

(ii) The reserves of the Company for the years ended 31 December 2012 and 31 December 2011 are as follows:

	Capital accumulation reserve (Note (a))	Statutory common reserve fund (Note (b))	Accumulated losses/ Retained earnings (Note (c))	Total
At 1 January 2011	115,014	2,829	(45,288)	72,555
Profit for the year 2011	-	-	27,782	27,782
At 31 December 2011	115,014	2,829	(17,506)	100,337
Profit for the year 2012	-	-	53,406	53,406
Appropriation to statutory reserve fund	-	3,590	(3,590)	-
At 31 December 2012	115,014	6,419	32,310	153,743

(a) Capital accumulation reserve includes share premium arising from the issue of shares at a price in excess of their par value, changes in the fair value of available-for-sale investment and the effect for transactions with non-controlling interests on changes in equity attributable to the shareholders of the Company. Expenses related to the issue of shares are accounted for as a deduction of the capital accumulation reserve.

(b) Pursuant to the PRC regulations and the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to statutory common reserve fund until the fund aggregates to 50% of the Company's registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders. The statutory common reserve fund shall only be used to make good previous years' losses, to expand the Company's production operations, or to increase the capital of the Company. Upon approval by a resolution of shareholders' general meeting, the Company may transform its statutory common reserve fund into share capital and issue bonus shares to existing shareholders in proportion to their original shareholdings or to increase the nominal value of each share currently held by them, provided that the balance of the reserve fund after such issue is not less than 25% of the registered capital.

(c) In accordance with the Company's Articles of Association, the Company declares dividends based on the lower of retained earnings as reported in accordance with the PRC accounting regulations and that reported in accordance with IFRS. According to the statutory financial statements prepared in accordance with the PRC accounting regulations and the financial statements prepared in accordance with IFRS, the amount of distributable was RMB 32,310,000 as at 31 December 2012 (2011: nil).

11 SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The directors consider the business from principal activities perspective.

	Year ended 31 December 2012			**Year ended 31 December 2011**		
	Research and development activities	Sales of medical products and the provision of related ancillary services	Total	Research and development activities	Sales of medical products and the provision of related ancillary services	Total
Turnover	1,647	230,880	232,527	-	133,890	133,890
Segment profit/ (loss)	2,739	76,199	78,938	(2,654)	52,622	49,968
Unallocated income			1,819			1,769
Unallocated costs			(23,057)			(14,110)
Profit before income tax			57,700			37,627
Income tax expense			(5,264)			(5,255)
Profit for the year			52,436			32,372

Note: Unallocated income and unallocated costs mainly represent other income received and general and administrative expenses incurred by the Group during the years that are not directly attributable to the principal activities.

There are no sales or other transactions between the operating segments.

	Research and development activities	Sales of medical products and the provision of related ancillary services	Unallocated activities	Total
31 December 2012				
Segment assets	52,379	335,011	149,906	537,296
Segment liabilities	(119,279)	(103,925)	(53,979)	(277,183)
Net	(66,900)	231,086	95,927	260,113
Other segment items				
Depreciation	2,922	6,150	587	9,659
Amortisation	20	1,906	107	2,033
Provision of impairment of receivables	-	623	-	623
Other non-cash expenses	-	4,504	-	4,504
31 December 2011				
Segment assets	26,117	209,565	123,199	358,881
Segment liabilities	(99,714)	(47,400)	(10,700)	(157,814)
Net	(73,597)	162,165	112,499	201,067
Other segment items				
Depreciation	2,391	801	2,017	5,209
Amortisation	18	2,133	127	2,278
Provision for impairment of receivables	-	209	-	209
Inventories write-down	-	2,367	-	2,367
Other non-cash expenses	-	-	51	51

Note: Unallocated activities mainly represent the holding of cash, bank deposits ,available-for-sale investments and property, plant and equipments by the Group during the years that cannot be allocated to the principal activities specifically.

Revenues of approximately RMB 72,083,000 (2011: RMB 29,211,000) are derived from a single external customer. These revenues are attributable to the sales of medical products segment.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The following discussion and analysis of the Group's financial and operational position should be read in conjunction with the consolidated financial statements and the related notes to the consolidated financial statements.

TURNOVER

The Group's consolidated turnover for the year 2012 amounted to approximately RMB232,527,000, comparing to RMB133,890,000 for the year 2011, representing an increase of 74%.

The total turnover for the year ended 2012 came from the sale of medical products, revenue recognized from exclusive distribution rights and the revenue from technology transfer. The source of total turnover for the year ended 2011 was the same as that of this period of 2012.

REVENUE FROM SALE OF MEDICAL PRODUCTS AND THE PROVISION OF RELATED ANCILLARY SERVICES

Revenue of the Group from the sale of medical products and the provision of related ancillary services for the year 2012 was RMB225,880,000 (or 97% of the total turnover), increased by 74% from that of last year which was RMB129,723,000. Sales of the major products of the Company, ALA and Libod , have contributed significant revenue to the Group.

INCOME FROM EXCLUSIVE DISTRIBUTION RIGHTS

The Company signed the sole agency agreement (the "Sole Agency Agreement") with China NT Pharma Group Company Limited in February 2011 and granted it the exclusive distribution rights of Libod®. The agreement replaced the previous exclusive distribution agreement with Nanjing Medical. The total consideration was RMB20,000,000, of which, amount of RMB5,000,000 (or 2% of the total turnover) is recognized as revenue in 2012. It was recognized of RMB4,167,000 for the year 2011 .

REVENUE FROM TECHNOLOGY TRANSFER

Revenue from technology transfer for the year 2012 was approximately RMB1,647,000. of which, RMB1,500,000 is the second receivable for a technology which was transferred to Taiwan Yongxin Bio-pharmaceutical Co., LTD in 2004. The remaining balance is a royalty payment received at a certain percentage of revenue that came from a technology which was transferred to a pharmaceutical company in Shandong Province in 2002, as stipulated by the relevant technology transfer contract.

COST OF SALES

For the year 2012, cost of sales of the Group was RMB23,557,000, while the corresponding figure for 2011 was RMB23,034,000. The ratio of cost of sales to revenue from sale of products dropped to 10% from the level of 18% for last year. The deduction of costs mainly benefits from the strict cost control that the Group executed. In addition, the Group sold certain ALA equipment and diagnostic products with low margin in the year 2011, which reduced the gross profit margin as a whole.

OPERATING PROFIT

For the year 2012, operating profit of the Group was RMB63,866,000, comparing to the operating profit RMB42,489,000 for the year 2011, representing an increase of 50%.

Expenditure and other income presented before operating profit are as follows:

- Other income for the year 2012 was RMB48,223,000, compared with RMB36,868,000 for the year 2011, representing an increase of 31%. It is mainly because the Group has recognized related income amounting RMB28,814,000 in the year 2012 according to the strategic cooperation agreement for innovative pharmaceuticals research and development (the "Strategic Cooperation Agreement") signed with Shanghai Pharmaceutical Holding Co., Ltd (“Shanghai Pharmaceutical”) (2011: RMB 23,420,000).

- R&D costs for the year 2012 was RMB45,312,000, compared with RMB32,891,000 for the year 2011, representing an increase of 38%.

- Distribution and marketing promotion cost for the year 2012 was RMB 126,620,000, compared with RMB 54,596,000 of the year 2011, representing an increase of 132%. The ratio of distribution and marketing costs to revenue from sale of products increased to 56% from the level of 42% for last year. It is mainly because the Company adjusted the sales strategy which caused the increase of the percentage of selling expenses of Libod.

- Administration expenses for the year 2012 was RMB16,810,000, compared with RMB17,371,000 for the year 2011, representing a decrease of 3%. It is mainly due to the decrease of impairment losses of asset at the current period.

- Other operating expenses for the year 2012 was RMB4,585,000, compared with RMB377,000 for the year 2011, representing an increase of 1,116%. It is mainly due to the increase of loss on disposal of property, plant and equipment as a result of the reconstruction of the producing department and renew of equipment in the Company.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

A profit attributable to shareholders of the Company of RMB53,159,000 was recorded in the consolidated financial statements for the year 2012, compared with profit of RMB30,826,000 for the year 2011.

For the year 2012, the profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of RMB53,406,000 (2011: profit of RMB27,782,000).

SIGNIFICANT INVESTMENTS

The Group set up a subsidiary -- Shanghai Tracing Bio Technology Co., Ltd. ("Tracing") in November 2012. The original diagnosis business of the parent company was separated and integrated with a new third-party technology into Tracing. The new company will be primarily engaged in the development, production and sales of diagnostic products.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the year 2012, the Group did not have any material acquisitions or disposals of subsidiaries and associated companies.

CONTINGENT LIABILITIES

As at 31 December 2012, the Directors were not aware of any material contingent liabilities.

CHARGE ON ASSETS

On 1 March 2012, the Group put its real estate property in pledge to obtain a bank loan. The mortgaging period depends on the time to redemption of the loans. Particulars are set out in note 15 and 16 to the consolidated financial statements.

BANKING FACILITIES

Aided by "Jiangsu Technology Results Transfer Project", a subsidiary of the Group, Taizhou Pharmaceutical, took a loan of RMB10,000,000 from government authority on 22 November 2010 which would be due for repayment on 10 December 2013. The loan was unsecured.

On 14 September 2012 and 26 October 2012, the Company took two bank loans of RMB18,500,000 and RMB20,000,000 from one bank. The two loans were secured by the real estate property of the Company. The due dates were 13 March 2013 and will be 25 April 2013, respectively.

On 23 May 2012 and 15 November 2012, the Company took two bank loans of RMB 20,000,000 and RMB 15,000,000 from one bank. The due dates will be 22 May 2013 and 15 November 2013, respectively. The two loans were unsecured.

On 3 July 2012 and 30 November 2012, Shanghai Morgan-Tan International Center for Life Sciences, Co., Ltd. ("Morgan-Tan"), a subsidiary of the Group, took two bank loans of RMB428,290 and RMB2,570,000 from one bank. The due dates were 2 January 2013 and will be 29 May 2013, respectively. The two loans were unsecured.

On 21 March 2011, the long-term bank borrowing of RMB40,000,000 was taken by Taizhou Pharmaceutical, a subsidiary of the Group, and bore an interest rate of 6.40%. Among the long-term bank borrowing, RMB15,000,000 is secured by the leasehold land of Taizhou Pharmaceutical, and would be repaid on 21 March 2014; another RMB25,000,000 is guaranteed by the Company, and would be repaid on 20 March 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company made an announcement on 7 March 2008 that it would cooperate with a wholly owned subsidiary of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. to construct the industrial space next to the Company's existing site. This is a connected and discloseable transaction, which has been approved on the extraordinary general meeting held on 23 May 2008. The first transfer as stipulated by the contract has been completed. The transaction has entered into phase II, and the registration procedures are under progress.

As at 31 December 2012, the plant in Taizhou was under construction.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations and investing activities with internally generated financial resources, proceeds from the listing of the Company's shares on the Hong Kong GEM Board in August 2002, and interest-free and interest-subsidized commercial loans supported by the municipal government authorities. As at 31 December 2012, the Group had outstanding loans of RMB126,498,000, of which RMB47,998,000 is unsecured, and RMB78,500,000 is secured bank loans and loans guaranteed by third parties.

As at 31 December 2012, the Group had cash and cash equivalents of approximately RMB 158,267,000.

The Group's gearing ratio as at 31 December 2012 was 0.14 (31 December 2011: 0.19) which is calculated based on the Group's net debt of RMB31,769,000 (31 December 2011: RMB31,759, 000) and total capital of RMB228,344,000 (31 December 2011: RMB169,308,000).

The Group adopts a conservative treasury policy in cash and financial management. To achieve better risk control and to minimize the finance cost, the Group's treasury activities are centralized. The Group's liquidity and financing arrangements are reviewed regularly.

FOREIGN EXCHANGE EXPOSURE

The Group operates mainly in the domestic market. Cash proceeds from the placing of H shares in August 2002 were in Hong Kong dollar, and basically all has been converted to RMB. The operating results and the financial position of the Group will not be affected by the movements in exchange rates.

EMPLOYEES AND SALARIES

As at 31 December 2012, the Group had a total of 397 employees, as compared to 316 employees as at 31 December 2011. Staff costs including directors' remuneration for the year 2012 were RMB49,156,000, compared with RMB38,493,000 for the year 2011. The salaries and benefits of employees of the Group are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees.

BUSINESS REVIEW

Aiming to become a pioneer in the bio-pharmaceutical industry, the Group commits to its mission "the more we explore, the healthier human beings will be", relies on the technology of genetic engineering, drug delivery and photodynamic drug development, and positions ourselves to develop drugs with patents and commercialize drugs specific to the Chinese market .

Research and Development

During the period under review, the Group made an ideal progress in R&D of drugs.

In the area of R&D, the Company has obtained two New Drug Certificates the numbers of which are Guo Yao Zheng Zi H20120079 for materials and Guo Yao Zheng Zi H20120076 for injection issued by the State Food and Drug Administration for Hemoporfin (海姆泊芬), a photodynamic drug for the treatment of Port Wine Stain. Hemoporfin belongs to Chemical Drugs Class 1.1.

The application for clinical study for ALA (鹽酸氨酮戊酸), a photodynamic drug for the treatment of cervical diseases infected by HPV has been approved.

Pre-clinical study for rhTNFR(m):Fc (High bio-activity recombinant human TNF receptor 2-Fc fusion protein mutant 高活性重組人腫瘤壞死因子受體突變體-Fc融合蛋白) for the treatment of arthritis has been completed, and application for clinical study has been submitted. PCT patent application has been made for the project.

The Group has been taking the R&D of innovative drugs as its fundamental. By the end of the year 2012, the major drugs under R&D are summarized as follows:

Technical platform	Project name	Indications	Progress
Genetic Engineering Drugs	Recombinant tissue type plasminogen activator (r-tPA)	Heart infarction	Technology transferred, letter of approval for drug registration issued, royalty payment received
	Recombinant human lymphotoxin α-derivatives (rhLT)	Tumor	Clinical trial phase II
	Recombinant human tumor necrosis recipient Fc fusion protein (Etanercept)	Arthritis	Domestic and overseas rights transferred respectively, Clinical study completed, and rights of royalty retained
	rhTNFR*(m)*:Fc (High bio-activity recombinant human TNF receptor	Arthritis	Application for clinical study has been submitted

	2-Fc fusion protein mutant 高親和力重組人腫瘤壞死因子受體突變體-Fc 融合蛋白）		
Photodynamic therapy drugs	ALA (艾拉®，鹽酸氨酮戊酸)	Condyloma acuminata	Launched for sale, accredited as Shanghai Hi-Tech Achievement Transfer Project, also accredited as “State Hi-tech Development Project” by NDRC
	Eyan (易妍®，鹽酸氨酮戊酸)	Acne	Launched for sale as one kind of cosmetic products
	ALA (鹽酸氨酮戊酸)	cervical diseases infected by HPV	Application for clinical study has been approved
	Hemoporfin （海姆泊芬）	Port wine stain	Obtained the New Drug Certificate
	Deuteroporphyrin （多替泊芬）	Tumors	Clinical trial phase I
Liposome drugs	Libod® (裡葆多® Doxorubicin liposome , 鹽酸多柔比星脂質體)	Tumors	Launched for sale
	Vincristine Liposome (長春新鹼脂質體)	Tumors	Clinical trial phase I
Others	Beixi（Down’s Syndrome Antenatal Screening Diagnostic Reagent，唐氏綜合征產前篩查試劑）	Down’s Syndrome	Launched for sale, accredited as Shanghai Hi-Tech Achievement Transfer Project and National Torch Plan Project
	Nifeviroc (尼非韋羅)	AIDS	Research AIDS prevention.

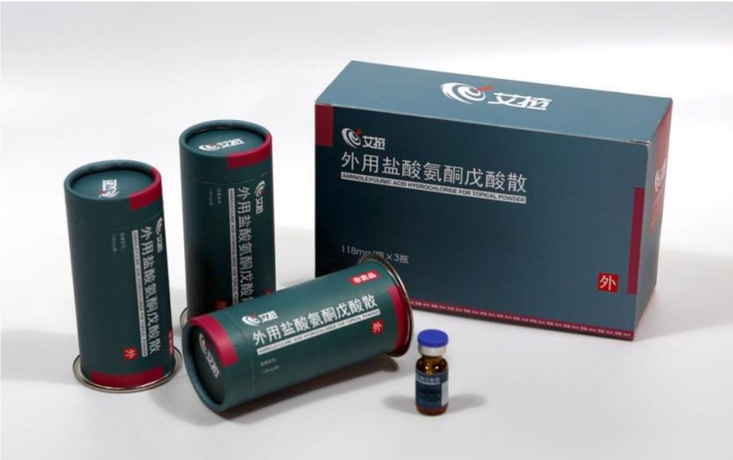
In February 2011, the Company has entered into the Strategic Cooperation Agreement with Shanghai Pharmaceutical for the cooperation on innovative pharmaceuticals research and development. Both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages. During the year 2012, the agreement was enforced as stipulated and R&D work was perfect in order.

Intellectual Property Rights

The Group has been actively protecting its intellectual property rights (IPR) on its innovative medicines and research achievements. During the period under review, the Group applied for 2 invention patent, and has been granted 2 invention patents. By the end of the year 2012, the Group has cumulatively applied for 60 invention patents, and has been granted 27 invention patents.

Commercialization

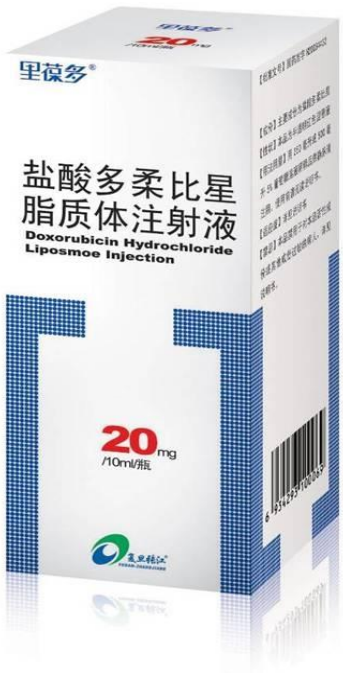
During the period under review, the Group obtained satisfactory results on commercialization. Product sales revenue increased by 74% compared with that of last year.



ALA (艾拉®) which is used for the treatment of dermal HPV infectious disease and proliferative disease as represented by condyloma acuminate, has attracted high level of attention from dermatologists all over the country since the launch for sale with a steady increase of sales volume and has become one of the largest consumed skin-cure drugs. Compared with last year, sales revenue of the product in 2012 increased 46%. It's expected that there will be a sustained and significant increase in the future.

Eyan (易妍®) for the treatment of acne was launched for sale in September 2010. Compare with last year, its revenue increased by 137% in 2012. It's expected that its sales will increase gradually.

Libod® (里葆多®) for the treatment of tumors, was launched for sale in August 2009 and it brought the favorable market response. It is expected to make big contribution to the sales revenue of the Group in future. In order to enhance the marketing and sales of Libod®, the Company signed the Sole Agency Agreement with China NT Pharma Group Company Limited in February 2011 and granted it the exclusive distribution rights of Libod®. After one year's cooperation, the parties agreed to adjust the sales strategy to let the Company enforce the control power of the promotion activities which consequently induced the increasing of revenue and selling expense.



Grants and Awards

The Group has always been improving its ability of new drug development in light of the industrial policies of the State. During the period under review, the Group obtained the following grants and awards for a number of R&D and commercialization projects:

Key New Drugs Creation "Targeting Anti-tumor Innovative Drugs Incubation Base Construction " obtained more financial aid of National Special Grant for Key S&T Project which totally amounting RMB5.8 million. As at 31 December 2012, the Company has obtained RMB2.48 million.

The Company obtained further financial support from the Shanghai City Construction & Technology project fund for the Company's "Development and Commercialization of Target Drugs for Tumors and Other Hyperblastosis" project. The grant totaling RMB8.19 million has been obtained during the year 2012.

FUTURE PROSPECTS

The Group has been seeking to fulfill its core position of innovation and development of new drugs since the founding and made good progress. The published "Outline of the National Medium and Long-term Scientific and Technological Development Program (year 2006 - 2020)" has confirmed the direction of independent innovation with Chinese characteristics, and has also affirmed to support those enterprises to become principle force of tech-innovation. It calls for creating conditions, optimizing environment and intensifying reforms to truly strengthening motivation and vigor of enterprise technological innovation. Under the general environment, the Group will certainly obtain more and better development opportunities.

Through more than a decade of R&D for new drugs, the Group has a large number of projects which are commercialized or at a crucial point of being commercialized, completing the transformation from purely R&D to equal stress on both R&D and commercialization. In the future, the Group will focus its resources on both R&D and commercialization.

R&D

Over the past years, the Group accumulated extensive experience in R&D, and took a leading position in the pharmaceutical industry in the PRC. The Group has established very close partnership with reputable domestic institutions, such as Shanghai Institute of Life Science of the Chinese Academy of Sciences, Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences and Shanghai Institute of Medical Materials of the Chinese Academy of Sciences. At the same time, the Group also made further collaboration with other R&D institutions at home and abroad. In the future, the Group will continue to devote efforts to the R&D of drugs with independent intellectual property rights.

The Group will still focus R&D on genetic engineering drugs, photodynamic drugs, and nano-drugs that have taken firm root. In particular, among these sectors, drugs for the treatment of dermal diseases and tumors will be of the most importance.

Genetic Engineering Drugs

The Group completed pre-clinical study of rhTNFR***(m)***:Fc (High bio-activity recombinant human TNF receptor 2-Fc fusion protein mutant 高親和力重組人腫瘤壞死因子受體突變體-Fc融合蛋白） and applied for the clinical trial. The drug is used to treat self-immunological diseases, such as arthritis. The size of potential market is enormous. The Group holds independent IPR of the drug and applied for PCT patent. It will be one of the key R&D projects of the Group.

Recombinant human lymphotoxin α-derivatives (rhLT) for the treatment of tumors has entered the clinical trial phase II. The product with independent IPR is one of the key R&D projects of the Group.

The antibody-drug conjugate, ADC shows obvious advantages on cancer treatment in clinical trials, which is much better than the effect of the conventional antibody combined with chemotherapy drugs. In order to follow the development trend in bio-pharmaceutical area, besides continuing the clinical trials for Recombinant human lymphotoxin α-derivatives （rhLT）(重組人淋巴毒素α衍生物) and rhTNFR***(m)***: Fc (High bio-activity recombinant human TNF receptor 2-Fc fusion protein mutant 高親和力重組人腫瘤壞死因子受體突變體-Fc融合蛋白）, the Company will start to make research on antibody-drug conjugate, ADC such as CD30-MMAE.

Photodynamic Drugs

With the launch of the new photodynamic drug for the treatment of condyloma acuminate, ALA (艾拉®), the Group will focus on R&D of new indications, such as cervical diseases infected by HPV and GLIOMA. It is one of the key R&D projects of the Group. The Company has obtained the approval for the clinical study of new indications of ALA for the treatment of CIN infected by HPV.

The Company has obtained two New Drug Certificates, the numbers of which are Guo Yao Zheng Zi H20120079 for materials and Guo Yao Zheng Zi H20120076 for injection issued by the State Food and Drug Administration for Hemoporfin (海姆泊芬), a photodynamic drug for the treatment of port wine stain. Hemoporfin belongs to Chemical Drugs Class 1.1.

The anti-tumor drug, Duteroporphyrin (多替泊芬) has entered the clinical trial phase I.

In addition, the Company will make further research on new indications of ALA such as CIN and GLIOMA etc. They together with ALA, constitute a unique line of photodynamic drugs with independent IPRs.

Nano - Drugs

Vincristine Liposome (長春新鹼脂質體) to for the treatment of cancer has entered the clinical trial I. With large size of potential market, it is one of the key R&D projects of the Group.

In order to improve the capacity of research and development of nano-drugs and enrich the existing tumour drug product lines, besides continuing clinical trials of Vincristine Liposome (長春新鹼脂質體), the Company initiated the pre-clinical study for the Nanoparticle Albumin-bound Paclitaxel.

The Company has entered to an agreement with an American company and an institution recently. We will devote to the R&D work of echogenic liposomes containing Xenon for the treatment of stroke.

Commercialization

To keep in line with the key direction of R&D, the Group started working on the commercialization of the drugs for the treatment of dermal diseases and tumors from the year 2007 with appropriate product lines arranged, and will steadily launch the products to the market by stages in the next few years, so as to form product portfolio in the two directions:

Dermal disease drugs

In respect of the commercialization of dermal disease drugs, the photodynamic new drug ALA (艾拉®) for the treatment of condyloma acuminata has been approved for launch for sale. This is the first drug commercialized in this aspect. Condyloma acuminata is one of the most common sexual contagious diseases in the modern society, with morbidity of 20%-31%, ranking No. 2 or 3, of all the venereal disease patients. It can be seen that this drug has a tremendous market capacity. New indications will be developed for ALA (艾拉®), such as HPV induced CIN (cervical intraepithelial neoplasia) and acne, to enhance the sales size. It is expected that the sales revenue of the sales of the drug in the years to come will continue increasing sharply.

In respect of dermatology & venereology, the photodynamic drug Hemoporfin for the treatment of port wine stain will come up and the New Drug Certificate has been obtained. New indications of ALA (艾拉®) for the treatment of HPV-induced CIN(cervical intraepithelial neoplasia) was approved to enter into the clinical study.

Tumor treatment drugs

In respect of commercialization of drugs for the treatment of tumors, Libod®, (里葆多®), was launched to market in August 2009. It is the first drug commercialized in the same cluster of the drugs of the Group. The drug is used for the treatment of tumors such as AIDS-relating Kaposi's sarcoma, breast cancer and ovarian cancer, Breast cancer has become the highest incident cancer for female. The market capacity of the drug is tremendous. It is estimated that the sales revenue will keep increasing sharply in the near future.

In the field of cancer treatment, subsequent drugs include Vincristine Liposome (長春新鹼脂質體) and lymphotoxin α-derivatives (淋巴毒素 α-衍生物). Vincristine Liposome Injection for the treatment of malignant tumors has entered into the clinical trial phase I, while lymphotoxin α-derivatives (淋巴毒素 α-衍生物) for the treatment of tumors has entered into the clinical trial phase II.

Schedule of the drugs to be launched in the next few years:

Name of drugs	**Indications**	**Estimated launching time***
ALA (艾拉®，鹽酸氨酮戊酸)	Condyloma acuminata	Launched
Libod® (Doxorubicin Liposome ,裡葆多®，鹽酸多柔比星脂質體)	Tumors	Launched
Eyan（易妍®，鹽酸氨酮戊酸,a kind of cosmetic product)	Acne	Launched
Hemoporfin (海姆泊芬)	Port wine stain	2014
Vincristine Liposome (長春新鹼脂質體)	Tumors	2016
lymphotoxin α-derivatives (淋巴毒素 α-衍生物)	Tumors	2016
ALA (鹽酸氨酮戊酸) (ALA-CIN)	CIN	2016
Duteroporphyrin (多替泊芬)	Tumors	2016
Nanoparticle Albumin-bound Paclitaxel (紫杉醇白蛋白納米粒)	Tumors	2017
rhTNFR(m):Fc (High bio-activity recombinant human TNF receptor 2-Fc fusion protein mutant 高活性重組人腫瘤壞死因子受體突變體-Fc融合蛋白（rhTNFR(m):Fc）	Autoimmunity	2017

* *The expected launch time is based on the progress, and there is no assurance of its accuracy. If other drugs are progressing more successfully, they may replace any of the above drugs for market launch and sale.*

Considering that more drugs are going to be registered, the subsidiary of the Group, Taizhou Pharmaceutical has constructed two production lines for the material and injection of Hemoporfinand and will make more investment on production lines in the next few years so as to become the centralized production base of the Group.

In the area of commercialization, the Group has realized production and sales on diagnostic reagents, ALA, Eyan and Libod. The sales revenue for the year 2012 has made significant increase over last year. As more products are launched to the market, it is expected that the future sales revenue will be increasing extensively. The Group has successfully accomplished the transformation from purely R&D to equal stress on both R&D and commercialization with a complete system featuring organic combination of R&D, product manufacturing and marketing taken shape. The Group is moving toward a virtuous circle of development.

CORPORATE GOVERNANCE

The Board has reviewed the documents relating to corporate governance policies adopted by the Company and considered that it had complied with most of the principles and codes set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the “Code”) under Appendix 14 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). In some aspects, the codes of corporate governance adopted by the Company are even stricter than the provisions as set out in the “Code”. Hereunder are the points which are stricter than or deviate from the provisions in the “Code”.

Major aspects which are stricter than the provisions as set out in the “Code”:

- All members of the audit committee of the Company (the "Audit Committee") are independent non-executive directors.

Major aspects which deviate from the provisions as set out in the “Code”:

- The chairman and the general manager is the same person. Although the articles of association of the Company (the "Articles of Association") has specific requirements on the duties of the chairman and the general manager (chief executive), which are to be responsible for the operating management of the Board and the daily management of the Company’s business respectively, the two positions are still taken by one person. Considering that the scale of the Company is relatively small, with its businesses mainly focused in the area of the research, production and sales of innovative drugs, and that it has not completely stepped out of the venture period for the time being, also for the sake of management efficiency, the Board holds the point that the chairman and the chief executive being taken by one person is beneficial for the Company's development at the present stage. Along with the development of the Company, the Board will consider the segregation of chairman and chief executive duties.

- Pursuant to Code A.5.1, the Company has only established its nomination committee on 11 April 2012.

- Pursuant to Rules 5.05A and 5.06 of the GEM Listing Rules, the Company is required to appoint independent non-executive directors representing at least one-third of the Board. Owing to communication and coordination issues, the Company has only been able to identify a suitable candidate to be an additional independent non-executive director on 19 March 2013 and the relevant announcement has been disclosed on the same day.

DIRECTOR'S AND SUPERVISORS' INTERESTS

All Directors disclose to the Board on their first appointment their interests as a director or otherwise in other companies or organizations and such declarations of interests are updated annually (if any). When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director declares his interest and is required to abstain from voting, and withdraw from the meetings as appropriate. The Company will seek confirmation from Directors annually in respect of any transactions of the Company or its subsidiaries which are related to Directors or their associates (if any). It is also applicable to supervisors of the Company (the "Supervisors").

The Group has not entered into any material contracts in which the Group's Directors, Supervisors have direct or indirect interests during any time in 2012.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All the Directors and Supervisors have entered into service contracts with the Company, which are renewable upon expiry, subject to re-election in the general meeting.

RIGHTS OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, chief executive or Supervisors or their spouse or children of age under 18 has been authorized by the Company or any subsidiary any right to purchase shares or debentures in the Company or any other body corporate, or have exercised such rights within the year 2012.

DETAILS OF OPTIONS GRANTED BY THE COMPANY

On 23 June 2002, the Company adopted a share option scheme (the "Share Option Scheme") under which the executive Directors or full-time employees of the Company or its subsidiaries or any of their respective associates may be granted options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme. The scheme has now been expired.

As at the date of this report, no option has been granted or agreed to be granted to any executive director or full-time employee of the Company or its subsidiaries or any of their respective associates under the Share Option Scheme.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2012, the interests (including interests in shares and / or short positions) of the Directors, chief executive and Supervisors and their respective associates in the shares or debentures of the Company and its associated corporations, if any, (a) as notified to the Company and the Stock Exchange pursuant to: Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"); or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Name of Directors	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in Domestic shares	Percentage in total share capital
Wang Hai Bo	Domestic Shares	51,886,430 (L)	Beneficial owner	Personal	10.13%	7.31%
Su Yong	Domestic Shares	18,312,860 (L)	Beneficial owner	Personal	3.58%	2.58%
Zhao Da Jun	Domestic Shares	15,260,710 (L)	Beneficial owner	Personal	2.98%	2.15%
Fang Jing	Domestic Shares	5,654,600 (L)	Beneficial owner	Personal	1.10%	0.80%

Note: The letter "L" stands for long position.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2012, the persons other than a director, chief executive or supervisor of the Company who have interests and / or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the

SFO are listed as follows (the interests in shares and / or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, chief executive and Supervisors):

Name of substantial shareholders	**Class of shares**	**Number of shares held**	**Capacity**	**Type of interest**	**Percentage in the respective class of share capital**	**Percentage in total share capital**
Shanghai Industrial Investment (Holdings) Co. Ltd.	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26%	29.60%
	H Shares	70,564,000 (L)			35.64%	
Shanghai Pharmaceutical Holding Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	27.26%	29.60%
	H Shares	70,564,000 (L)			35.64%	
China General Technology (Group) Holding, Limited	Domestic Shares	130,977,816 (L)	Beneficial Owner	Corporate	25.58%	18.45%
Shanghai Zhangjiang (Group) Co., Ltd.	Domestic Shares	105,915,096 (L)	Interest of controlled corporation	Corporate	20.69%	14.92%
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	Domestic Shares	105,915,096 (L)	Beneficial Owner	Corporate	20.69%	14.92%
Fudan University	Domestic Shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.98%	4.31%
Shanghai Fudan Asset Operating Limited (上海復旦資產經營有限公司)	Domestic Shares	30,636,286 (L)	Beneficial Owner	Corporate	5.98%	4.31%

Note 1: The letter “L” stands for long position.

Note 2: As at the date of this announcement, China General Technology (Group) Holding, Limited has sold its entire interest in the Company to China New Enterprise Investment Fund II, and the relevant procedures have been completed on 27 February 2013.

Note 3: As at the date of this announcement, Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. has sold its entire interest in the Company to third parties, but the transfer and registration procedures have not yet been completed.

CONNECTED TRANSACTIONS

For the year ended 31 December 2012, the connected transactions are mainly included as follows:

During the year 2012, the product sales revenue to Shanghai Pharmaceutical Distribution Co., Ltd.("Shanghai Pharmaceutical Distribution"), a wholly-owned subsidiary of a major shareholder, Shanghai Pharmaceutical, was RMB12,687,000, which is under the proposed annual cap approved in the extraordinary general meeting held on 29 October 2010. In February 2011, the Group entered into the Sole Agency Agreement with China NT Pharma Group Company Limited and would not sell Libod® to Shanghai Pharmaceutical Distribution directly, which led to significant difference in the year 2011 and 2012 between the connected transaction revenue with Shanghai Pharmaceutical Distribution and the proposed annual cap approved in the extraordinary general meeting held on 29 October 2010.

During March 2010, the Company transferred the construction-in-progress project to a wholly-owned subsidiary of Shanghai Zhangjiang Hi-Tech Park Co. (first transfer), according to the Cooperation Framework Agreement. This is a connected and disclosable transaction. The Company made an announcement on 7 March 2008. The transaction was approved on the extraordinary general meeting held on 23 May 2008. The transaction has entered into phase II, and the registration procedures are under progress.

During February 2011, the Company has entered into the Strategic Cooperation Agreement with Shanghai Pharmaceutical for the cooperation on innovative pharmaceutical research and development. Both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages. This is a connected and disclosable transaction. The Company made an announcement on 23 February 2011 and the transaction has been approved on the annual general meeting held on 27 May 2011. During the year 2012, the Company recognized the cooperation development income with Shanghai Pharmaceutical amounting to RMB28,814,000, which is under the proposed annual cap approved in the annual general meeting held on 27 May 2011.

DIRECTORS' SECURITIES TRANSACTIONS

The amended "Code of Transactions in the Company's Securities" (the "Securities Code"), which was passed through on 11 August 2009 by the Board meeting of the Company, has the terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Directors and relevant employees shall be bound under this Code. A copy of the code is sent to each Director upon his appointment and thereafter, a reminder not to deal in the securities of the Company until after the periodic results have been published would be sent to the Directors 30 days before the date of every Board meeting on which the quarter and half-year results are supposed to be approved, and 60 days before the annual board meeting.

Under the Securities Code, Directors are required to notify the chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the chairman himself, he must notify the delegated directors and receive a dated written acknowledgement before any dealing.

Supervisors' securities transactions apply to the regulations for the Directors. All the relevant employees, if any, having any price-sensitive information of the Group which is not yet disclosed, also apply to the regulations for the Directors.

Enquiries having been made, all Directors, Supervisors and relevant employees have complied with the relevant requirements in 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2012.

PRE-EMPTIVE RIGHTS

There is no regulation for the purchase of the pre-emptive rights as set out in the Articles of Association or by the laws of the People's Republic of China ("PRC", being the jurisdiction in which the Company was established), which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the financial reporting, internal controls and corporate governance issues and making relevant recommendations to the Board. All the members are independent non-executive directors: Mr. Pan Fei, Mr. Weng De Zhang and Mr. Cheng Lin. Mr. Pan Fei was appointed as the chairman of the Audit Committee.

The Audit Committee reviews the accounting principles and practices adopted by the Group, as well as the listing rules and statutory compliance, and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group's annual results for 2012 before proposing to the Board for approval.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers. The Company has not changed the auditors during the last three years.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the regulations prescribed by the GEM Listing Rules, each of the independent non-executive Directors of the Company has confirmed with the Company their independence. The Company has received such confirmation from the independent non-executive directors and considers the independent non-executive directors as independent.

By Order of the Board
Wang Hai Bo
Chairman

As at the date of this report, the Board comprises:

Mr. Wang Hai Bo (Executive Director)
Mr. Su Yong (Executive Director)
Mr. Zhao Da Jun (Executive Director)
Ms. Fang Jing (Non-executive Director)
Mr. Hao Hong Quan (Non-executive Director)
Mr. Zhu Ke Qin (Non-executive Director)
Ms. Ke Ying (Non-executive Director)
Mr. Shen Bo (Non-executive Director)
Mr. Pan Fei (Independent Non-executive Director)
Mr. Cheng Lin (Independent Non-executive Director)
Mr. Weng De Zhang (Independent Non-executive Director)

Shanghai, the PRC

19 March 2013

* *For identification purpose only*

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.