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:1349)

Annual Results Announcement
For the year ended 31 December 2013

This announcement, 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 Main Board Listing Rules 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The board of Directors (the "Board") of the Company announces the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2013 as follows:

FINANCIAL DATA HIGHLIGHTS

Results

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Revenue	**415,925**	232,527
Operating profit	**108,360**	63,866
Finance costs	**(9,414)**	(6,166)
Profit before income tax	**98,946**	57,700
Income tax expense	**(15,405)**	(5,264)
Profit for the year	**83,541**	52,436
Profit attributable to:		
Shareholders of the Company	**87,218**	53,159
Non-controlling interests	**(3,677)**	(723)
Total comprehensive income for the year	**83,541**	52,446
Total comprehensive income attributable to:		
Shareholders of the Company	**87,218**	53,166
Non-controlling interests	**(3,677)**	(720)
EBITDA	**124,212**	74,874
Basic and diluted earnings per share for profit attributable to the shareholders of the Company (RMB)	**0.1009**	0.0749

Assets and Liabilities

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Total assets	**749,216**	537,296
Total liabilities	**(183,291)**	(277,183)
	565,925	260,113
Capital and reserves attributable to shareholders of the Company	**532,717**	223,228
Non-controlling interests	**33,208**	36,885
	565,925	260,113

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Year ended 31 December	
	2013	**2012**
Revenue	415,925	232,527
Cost of sales	(32,407)	(23,557)
Gross profit	383,518	208,970
Other income	46,417	48,223
Research and development costs	(68,108)	(45,312)
Distribution and marketing costs	(232,057)	(126,620)
Administrative expenses	(20,772)	(16,810)
Other operating expenses	(638)	(4,585)
Operating profit	108,360	63,866
Finance costs	(9,414)	(6,166)
Profit before income tax	98,946	57,700
Income tax expense	(15,405)	(5,264)
Profit for the year	83,541	52,436
Other comprehensive income		
Item that may be reclassified to profit or loss		
Fair value changes on available-for-sale investments	-	10
Total comprehensive income for the year	83,541	52,446
Profit attributable to:		
Shareholders of the Company	87,218	53,159
Non-controlling interests	(3,677)	(723)
	83,541	52,436
Total comprehensive income attributable to:		
Shareholders of the Company	87,218	53,166
Non-controlling interests	(3,677)	(720)
	83,541	52,446
Basic and diluted earnings per share for profit attributable to the shareholders of the Company (RMB)	0.1009	0.0749

CONSOLIDATED BALANCE SHEET OF THE GROUP

AND BALANCE SHEET OF THE COMPANY

AS OF 31 DECEMBER 2013

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

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	2013	2012
Non-current assets				
Leasehold land payments	33,340	34,130	3,967	4,073
Property, plant and equipment	264,732	221,263	107,123	88,317
Technical know-how	2,099	1,645	701	125
Deferred costs	9,997	5,817	740	1,754
Investments in subsidiaries	-	-	80,613	79,113
Investment in an associate	-	-	-	-
Deferred income tax assets	6,383	4,364	5,999	4,141
Other non-current assets	2,954	4,796	1,738	4,796
	319,505	272,015	200,881	182,319
Current assets				
Inventories	15,568	6,943	12,828	6,546
Trade receivables	66,986	80,992	63,841	78,622
Other receivables, deposits and prepayments	20,432	10,718	11,465	9,307
Amounts due from related parties	1,798	8,361	1,714	8,256
Amounts due from subsidiaries	-	-	55,962	11,131
Cash and cash equivalents	324,927	158,267	290,833	143,605
	429,711	265,281	436,643	257,467
Total assets	749,216	537,296	637,524	439,786

CONSOLIDATED BALANCE SHEET OF THE GROUP

AND BALANCE SHEET OF THE COMPANY (CONTINUED)

AS OF 31 DECEMBER 2013

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

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	2013	2012
Non-current liabilities				
Borrowings	25,000	40,000	-	-
Deferred revenue	35,647	14,072	2,329	7,333
	60,647	54,072	2,329	7,333
Current liabilities				
Trade payables	8,843	43,827	7,450	43,543
Other payables and accruals	68,159	57,532	62,924	55,872
Current income tax liabilities	8,977	5,712	9,029	5,448
Amount due to a subsidiary	-	-	-	8,348
Borrowings	15,000	76,498	-	73,500
Loans from government authorities	-	10,000	-	-
Deferred revenue	21,665	29,542	11,290	20,999
	122,644	223,111	90,693	207,710
Total liabilities	183,291	277,183	93,022	215,043
Capital and reserves attributable to shareholders of the Company				
Share capital	92,300	71,000	92,300	71,000
Reserves	440,417	152,228	452,202	153,743
	532,717	223,228	544,502	224,743
Non-controlling interests	33,208	36,885	-	-
Total equity	565,925	260,113	544,502	224,743
Total equity and liabilities	749,216	537,296	637,524	439,786
Net current assets	307,067	42,170	345,950	49,757
Total assets less current liabilities	626,572	314,185	546,831	232,076

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2013

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

1 BACKGROUND INFORMATION

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 RMB 5,295,000.

Pursuant to a series of capital injections on 10 November 1997, 11 May 2000, and 12 September 2000 from the existing or the then 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 RMB 5,295,000 to RMB 53,000,000.

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 RMB 1.00 each, were subdivided into 530,000,000 ordinary shares ("Domestic Shares") with a par value of RMB 0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 ordinary shares ("H Shares") of RMB 0.10 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 RMB 71, 000,000.

On 4 February 2013, the Company completed a placing of 142,000,000 H Shares with a par value of RMB 0.10 each at a price of HKD 1.70. And the paid-in capital of the Company was increased to RMB 85,200,000.

On 29 June 2012, the Company adopted a restricted share scheme to issue no more than 71,000,000 domestic shares as restricted stock under the scheme. Pursuant to the scheme, the participants mainly include Directors, senior management, mid-level management and key research staff of the Group who contributed to success of the Company's strategy, and other key employees who, in the opinion of the Board or the remuneration committee of the Company, contributed directly to the overall business performance and sustainable development of the Group.

On 24 June 2013, the Company completed the grant of restricted shares under the initial grant. The Company granted 35,500,000 restricted shares to the scheme participants at the grant price of RMB 0.51 per restricted share pursuant to the restricted share scheme. Therefore, the share capital of the Company increased to RMB 88,750,000.

On 21 October 2013, the Company has completed the grant of restricted shares under the second grant and received the approval from, and completed the registration and filing procedures with the relevant authorities in the PRC. The Company granted 35,500,000 restricted shares to the scheme participants at the grant price

of RMB 0.51 per restricted share pursuant to the restricted share scheme. Upon completion of the second grant, the share capital of the Company increased to RMB 92,300,000.

On 13 September 2013, an application was made by the Company to the Stock Exchange for the Transfer of Listing. The approval-in-principle was granted by the Stock Exchange on 6 December 2013 for the H Shares to be listed on the Main Board of the Stock Exchange and to be de-listed from GEM. Dealings in the H Shares on the Main Board was commenced on 16 December 2013.

As at 31 December 2013, the Company had direct interests of 100%, 65%, 69.77% and 56% 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 Tracing Bio-technology Co., Ltd. ("Tracing") 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 the consolidated financial information has been consistently applied to both years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial information is extracted from consolidated financial statements of the Company which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments which are carried 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.

(i) New standards, amendments and interpretation adopted by the Group

The following amended standards are mandatory for the first time for the financial year beginning on 1 January 2013.

IFRS 1 (Amendments)	First-time Adoption
IFRS 7 (Amendments)	Financial Instruments: Disclosures
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1 (Amendments)	Presentation of Financial Statements
IAS 19 (Amendments)	Employee Benefits
IAS 27 (Amendments)	Separate Financial Statements
IAS 28 (Amendments)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above new standards, amendments and interpretation did not have any significant impacts to the Group's financial statements.

(ii) The following new standards, amendments and interpretation related to the Group have been issued but are not yet effective and have not been early adopted by the Group. The Directors anticipate that adoption of these new standards, amendments and interpretation will not result in substantial changes to the Group's financial statements.

IFRS 9	Financial Instruments
IFRS 10 (Amendments)	Consolidated Financial Statements
IFRS 12 (Amendments)	Disclosures of Interests in Other Entities
IAS 32 (Amendments)	Financial Instruments: Presentation
IAS 36 (Amendments)	Impairment of Assets, on recoverable amount disclosures
IAS 39 (Amendments)	Novation of Derivatives
IFRIC 21	Levies

(b) Basis of consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances, unrealised gains, 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.

3 REVENUE

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 in the PRC. Revenue recognised during the year are as follows:

	2013	2012
Sales of medical products	410,847	225,880
Exclusive rights (Note (a))	5,000	5,000
Technology transfer revenue (Note (b))	78	1,647
	415,925	232,527

(a) In March 2011, the exclusive distribution rights of Doxorubicin Liposome Injection products were 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 was recognised as revenue in 2013 and 2012.

(b) On 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 RMB 15,000,000, 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 5 years. The royalty payment of RMB 78,000 was received and recognised as revenue in 2013 (2012: RMB 147,000).

In 2004, the Company signed a technology transfer contract with Yongxin Bio-pharmaceutical Co., Ltd. According to the contract, Yongxin Bio-pharmaceutical Co., Ltd is required to pay RMB 1,500,000 when the second period of clinical trial successes. Such payment was received and recognised as technology transfer revenue in 2012.

4 EXPENSES BY NATURE

	2013	2012
Amortisation of leasehold land payments	790	790
Less: amount capitalised in construction in progress	(684)	(684)
	106	106
Amortisation of deferred costs (included in 'Cost of sales')	1,014	1,222
Amortisation of technical know-how (included in 'Administrative expenses')	206	21
Auditors' remuneration		
- Audit services	1,238	1,300
- Non-audit services	308	16
Provision for impairment of receivables	769	623
Inventories write-down	435	-
Changes in inventories of finished goods and work in progress	5,838	954
Raw materials and consumables used	22,775	10,818
Depreciation of property, plant and equipment	14,526	9,659
Losses on disposal of property, plant and equipment	398	4,504
Operating lease rentals in respect of land and buildings	742	644
Research and development costs, excluding employee benefit expenses	7,495	5,588
Employee benefit expenses	64,695	49,156
Marketing and sales promotion	199,313	94,229
Post-marketing study expenses	19,211	16,423
Quality inspection expenses	5,140	2,886
Others	9,773	18,735
Total cost of sales, research and development costs, distribution and marketing costs, administrative expenses and other operating expenses	353,982	216,884

5 INCOME TAX EXPENSE

	2013	2012
Current income tax	17,424	7,393
Deferred tax credit	(2,019)	(2,129)
	15,405	5,264

Effective from 1 January 2008, the Company and its subsidiaries are required determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") as approved by the National People's Congress on 16 March 2007. Following the CIT Law and 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. Moreover, the Company was recognised as a high-tech enterprise, the applicable tax rate of the Company is 15% in 2013 (2012: 12.5%). The applicable tax rates of the subsidiaries are 25% in 2013 (2012: 25%).

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

	2013	2012
Profit before income tax	98,946	57,700
Tax calculated at the applicable tax rate of 25%	24,737	14,425
Effect of tax exemption	(11,288)	(9,341)
Tax losses not recognized as deferred tax assets	4,606	604
Additional deduction of R&D expenditures	(2,976)	(281)
Expenses not deductible for income tax purposes	352	324
Differences of prior year income tax annual filing	(270)	(219)
Effect of unrealised profits on intra-group transactions	244	-
Utilisation of previously unrecognised tax losses	-	(248)
Tax charge	15,405	5,264

6 DIVIDEND

At the meeting on 26 March 2014, the Board of Directors recommended not to distribute any dividend in respect of the year ended 31 December 2013.

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

7 EARNINGS PER SHARE

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

	2013	2012
Profit attributable to shareholders of the Company (RMB thousands)	87,218	53,159
Weighted average number of ordinary shares in issue (thousands)	864,352	710,000
Basic earnings per share (RMB)	0.1009	0.0749

There is no difference between the basic and diluted earnings per share for the years ended 31 December 2013 and 2012 as there were no dilutive potential ordinary shares during the years then ended.

8 TRADE RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
Accounts receivable (Note (a))	64,832	59,785	61,524	57,361
Less: provision for impairment	(1,756)	(1,012)	(1,593)	(938)
Accounts receivable - net	63,076	58,773	59,931	56,423
Notes receivable (Note (b))	3,910	22,219	3,910	22,199
	66,986	80,992	63,841	78,622

As at 31 December 2013 and 2012, the fair value of the trade receivables approximated their carrying amounts.

As at 31 December 2013 and 2012, the carrying amounts of trade receivables are all denominated in RMB.

(a) Accounts receivable are arising from sales of products, with no interest charged. The credit period granted to customers is between 1 to 4 months. The ageing analysis of accounts receivable based on invoice date, before provision for impairment as at 31 December 2013 and 2012 are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
Accounts receivables - gross				
- Current	55,315	33,882	53,397	32,633
- Current to 30 days	3,712	21,312	3,430	20,833
- 31 days to 60 days	1,674	2,068	1,198	1,752
- 61 days to 90 days	600	340	401	126
- Over 90 days but less than one year	2,231	1,837	1,874	1,699
- Over one year	1,300	346	1,224	318
	64,832	59,785	61,524	57,361

As at 31 December 2013, trade receivables of RMB 9,517,000 (2012: RMB 25,903,000) were impaired and provided for. The amount of provision was RMB 1,756,000 (2012: RMB 1,012,000). As at 31 December 2013 and 2012, the accounts receivables aging over one year were fully impaired.

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
At beginning of the year	1,012	855	938	807
Provision for impairment of receivables	769	623	680	597
Receivables written off during the year as uncollectable	(25)	(466)	(25)	(466)
At end of the year	1,756	1,012	1,593	938

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

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

(b) Notes receivable are arising from sales of products, with no interest and guarantee, are all bank acceptance notes with maturities less than six months and have been fully settled after the year end.

9 TRADE PAYABLES

	Group		Company	
	2013	2012	2013	2012
Accounts payable (Note (a))	8,843	34,742	7,450	34,458
Notes payables (Note (b))	-	9,085	-	9,085
	8,843	43,827	7,450	43,543

As at 31 December 2013 and 2012, all trade payables of the Group were non-interest bearing, and their fair value approximate their carrying amounts due to their short maturities.

All the Group's trade payables are denominated in RMB.

(a) As at 31 December 2013 and 2012, the ageing analysis of accounts payable based on invoice date are as follows:

	Group		Company	
	2013	2012	2013	2012
- Current to 30 days	7,924	33,522	6,531	33,239
- 31 days to 60 days	551	730	551	730
- 61 days to 90 days	4	6	4	5
- Over 90 days but less than one year	201	267	201	267
- Over one year	163	217	163	217
	8,843	34,742	7,450	34,458

(b) Notes payable are all bank acceptance notes with maturities less than six months and have been 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 2013 and 31 December 2012 are as follows:

	Capital accumulation reserve (Note a)	Statutory common reserve fund (Note b)	(Accumulated losses)/Retained earnings (Note c)	Total
At 1 January 2012	211,233	2,829	(115,000)	99,062
Profit for the year 2012	-	-	53,159	53,159
Appropriation to statutory reserve	-	3,590	(3,590)	-
Fair value changes on available-for-sale investments	7	-	-	7
At 31 December 2012	211,240	6,419	(65,431)	152,228
Profit for the year 2013	-	-	87,218	87,218
Appropriation to statutory reserve	-	9,749	(9,749)	-
Proceeds from shares issued	200,971	-	-	200,971
At 31 December 2013	412,211	16,168	12,038	440,417

(ii) The reserves of the Company for the years ended 31 December 2013 and 31 December 2012 are as follows:

	Capital accumulation reserve (Note a)	Statutory common reserve fund (Note b)	(Accumulated losses)/Retained earnings (Note c)	Total
At 1 January 2012	115,014	2,829	(17,506)	100,337
Profit for the year 2012	-	-	53,406	53,406
Appropriation to statutory reserve	-	3,590	(3,590)	-
At 31 December 2012	115,014	6,419	32,310	153,743
Profit for the year 2013	-	-	97,488	97,488
Appropriation to statutory reserve	-	9,749	(9,749)	-
Proceeds from shares issued	200,971	-	-	200,971
At 31 December 2013	315,985	16,168	120,049	452,202

(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 reserve was RMB 120,049,000 as at 31 December 2013 (2012: RMB 32,310,000).

11 SEGMENT INFORMATION

The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Executive Directors that make strategic decisions.

In recent years, the Group has been focusing on the commercialization of its own drugs after research and development, and has not entered into any technology transfer contract since 2005. In the future, the outcomes of the Group's research and development activities will only be used by the Group for its own commercialization. As a result of the strategic shift in its business focus, the Group only received and recognised a royalty payment of RMB 78,000 as the revenue generated from technology transfer in 2013 and expects no further technology transfer revenue will be generated in 2014 and beyond. Accordingly, unlike for the year 2012, the Group only operates a single business segment in 2013 and hence no segment information is presented for the year 2013.

The Group's revenue is principally derived in the PRC.

	Year ended 31 December 2012		
	Research and development activities	Sales of medical products	Total
Revenue	1,647	230,880	232,527
Segment profit	2,739	76,199	78,938
Unallocated income			1,819
Unallocated costs			(23,057)
Profit before income tax			57,700
Income tax expense			(5,264)
Profit for the year			52,436

Note: Unallocated income and unallocated costs mainly represent other income received and general and administrative expenses incurred by the Group during the year 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	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

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 year that cannot be allocated to the principal activities specifically.

Revenues of approximately RMB 213,995,000 (2012: RMB 72,083,000) are derived from a single external customer. These revenues are attributable to the sales of medical products.

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.

REVENUE

The Group's consolidated revenue for the year 2013 amounted to approximately RMB 415,925,000, comparing to RMB232,527,000 for the year 2012, representing an increase of 79%.

The total revenue for the year ended 2013 came from the sale of medical products and the provision of related ancillary services, revenue recognized from exclusive distribution rights and the revenue from technology transfer. The source of total revenue for the year ended 2012 was the same as that of this period of 2013.

Revenue from sale of medical products

Revenue of the Group from the sale of medical products and the provision of related ancillary services for the year 2013 was RM410,847,000 (or 99% of the total revenue) , increased by 82% from that of last year which was RMB225,880,000. The major products of the Company, ALA®(鹽酸氨酮戊酸，ALA) and Libod®(鹽酸多柔比星脂質體，Doxorubicin liposome), have contributed 43% and 52% to the revenue of the Group, respectively.

Income from exclusive distribution rights

The Company signed the sole agency agreement (the "Sole Agency Agreement") with NT Pharma (Jiangsu) Co., Ltd. in February 2011 and granted it the exclusive distribution rights of Libod®. The agreement replaced the previous exclusive distribution agreement with NanJing Medical Co., Ltd. The total consideration was RMB20,000,000, of which, amount of RMB5,000,000 (or 1.2% of the total revenue) is recognized as revenue in 2013 It was recognized of RMB5,000,000 for the year 2012 .

Revenue from technology transfer

Revenue from technology transfer for the year 2013 was approximately RMB78,000. It 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 2013, cost of sales of the Group was RMB32,407,000, while the corresponding figure for 2012 was RMB23,557,000. The ratio of cost of sales to revenue from sale of products dropped to 8% from the level of 10% for last year. The deduction of costs mainly benefits from economies of scale. Consumption of materials has been reduced by increasing success rates of products manufacturing. Factory overhead and consumption of materials had been reduced accordingly.

OPERATING PROFIT

For the year 2013, operating profit of the Group was RMB108,360,000, comparing to the operating profit of RMB63,866,000 for the year 2012, representing an increase of 70%.

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

- Other income for the year 2013 was RMB46,417,000, compared with RMB48,223,000 for the year 2012, representing an decrease of 4%. It is mainly due to a decrease in income according to the Strategic Cooperation Agreement signed with Shanghai Pharmaceutical , the Group has recognized related income amounting RMB27,492,000 in the year 2013 (2012: RMB 28,814,000).

- R&D costs for the year 2013 was RMB68,108,000, compared with RMB45,312,000 for the year 2012, representing an increase of 50%. It is mainly because the Group has added several new research projects and some projects have been entered into clinical trial.

- Distribution and marketing costs for the year 2013 was RMB232,057,000, compared with RMB126,620,000 of the year 2012, representing an increase of 83%. The distribution and marketing costs grew in line with the increase in revenue for sale of medical products. The ratio of distribution and marketing costs to revenue for sale of products increased to 56.5% from 56.1% for last year, remains generally stable.

- Administrative expenses for the year 2013 was RMB20,772,000, compared with RMB16,810,000 for the year 2012, representing an increase of 24%. It is mainly due to the increases in payroll, welfare and bonus.

- Other operating expenses for the year 2013 was RMB638,000, compared with RMB4,585,000 for the year 2012, representing an decrease of 86%. It is mainly due to the decrease in loss related to the disposal of property, plant and equipment as a result of the reconstruction of the producing department and renew of equipment by the Company.

FINANCE COSTS

For the year 2013, finance costs of the Group was RMB9,414,000, compared with RMB6,166,000 for the year 2012, representing an increase of 53%. It is mainly due to the loss in exchange rate of Hong Kong dollars derived from the placement of H Shares of the Company in 2013.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company of RMB87,218,000 was recorded in the consolidated financial statements for the year 2013, compared with that of RMB53,159,000 for the year 2012.

The profit attributable to shareholders of the Company of RMB97,488,000 was recorded in the financial statements of the Company for the year 2013, compared with that of RMB53,406,000 for the year 2012.

SIGNIFICANT INVESTMENTS

For the year 2013, the Group did not have any significant investment.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the year 2013, the Group did not have any material acquisition or disposal of subsidiaries and associated companies.

CONTINGENT LIABILITIES

As at 31 December 2013, the Directors were not aware of any material contingent liabilities.

CHARGE ON ASSETS

On 1 March 2012, the Group put its leasehold land in pledge to obtain a bank loan. The term of the loan depends on the time of repayment of the loan.

BANKING FACILITIES

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 will be repaid on 21 March 2014. The loan has been classified as current liability as at 31 December 2013; RMB25,000,000 is guaranteed by the Company, and will be repaid on 20 March 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 26 February 2008, the Company entered into an agreement with a wholly owned subsidiary of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. ("Zhangjiang Hi-Tech") for cooperation in construction of the industrial space next to the Company's existing site. Zhangjiang Hi-Tech was one of the major shareholders of the Company and sold all its equity in the Company during the reporting period. This was a connected and discloseable transaction. Details of this transaction were set out in the circular issued on 28 March 2008. The transaction was approved at the extraordinary general meeting held on 23 May 2008. The Company transferred the construction-in-progress project in March 2010. As at 31 December 2013, the Company purchased the industrial buildings next to the Company's existing site, and the registration of property right of the real estate had been completed.

As at 31 December 2013, the basic construction of the manufacturing plant in Taizhou was completed and has entered the pilot production stage.

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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, proceeds from the share placement, grants from the municipal government authorities and commercial loans. As at 31 December 2013, the Group had loans with an aggregate of RMB40,000,000 outstanding. Such loans are secured and guaranteed bank loans.

As at 31 December 2013, the Group had cash and cash equivalents of approximately RMB324,927,000.

The Group's gearing ratio as at 31 December 2013 was negative 1.01 (31 December 2012: negative 0.14) which was calculated based on the Group's net debt of negative RMB284,927,000 (31 December 2012: negative RMB31,769,000) and total capital of RMB280,998,000 (31 December 2012: RMB228,344,000).

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 mainly operates in the domestic market. Except for the proceeds from the placement of shares, the operating results and the financial position of the Group will not be substantially affected by the movement in exchange rates.

EMPLOYEES AND SALARIES

As at 31 December 2013, the Group had a total of 430 employees, as compared to 397 employees as at 31 December 2012. Staff costs including Directors' remuneration for the year 2013 were RMB64,695,000, compared with RMB49,156,000 for the year 2012. 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

DEVELOPMENT CONCEPTS AND OBJECTIVE

Aiming to become an innovator in the bio-pharmaceutical industry, the Group commits to its mission "the more we explore, the healthier human beings will be", and targets to provide completely new and more effective treatment and drugs for filling the blank and meeting the improvement requirements of clinical treatment.

RESEARCH STRATEGY, REVIEW AND PROSPECTS

During the period under review, the Group made strategic adjustments in research and development ("R&D") of drugs to create a kind of drugs development model which is based on gene background and molecular mechanism analysis of diseases and relies on the technology of genetic engineering, photodynamic drugs and nano-drugs.

We realize that drugs development for complicated diseases such as tumors, skeletal system diseases, neurodegenerative diseases will increasingly rely on the understanding of gene background and molecular mechanism analysis of the diseases. Also, recent technological improvements such as new sequencing technology and transgenic animal models have provided sufficient and more efficient research tools. "Commercialization advanced scientific exploration" which is spearheaded by the Group and together with drug developers, international top scientists and specialists to explore gene variation and molecular mechanism of the disease in certain areas will improve the ability of drugs development of the Group and optimize drugs development model more efficiently and effectively. This development strategy will analyze the causes of diseases we concerned on the fundamental molecular genetic level in order to find new diagnosis and treatment which can bring the hope to patients for their recovery. The potential target for future new drugs, which is found based on thorough study of new signaling pathways in human genetic disease, will become the most stable cornerstone of developing new diagnostic reagent and patent drugs. It can also provide new direction, opportunities and enduring benefits for the development of the Group. Now we have cooperated with some international first-class laboratory scientists to commence the exploration of this kind of research model on skeletal system diseases. We began to conduct research on regulating osteoarthritis and osteoporosis drugs based on special factors in wnt signaling pathway and hedgehog signaling pathway. We will cooperate with outstanding clinicians and hospitals to find representative samples of genetic diseases in China for gene research and then discover the gene caused the disease. Then we will commence the research on molecular mechanism, animal models and drug leads in the international first-class laboratory cooperated with us.

We also realized the importance of clinicians' exploration and experiences for the new drugs development in the treatment of complicated diseases such as angiocardiopathy and dermal disease. Translational medicine will become another important basis for new drugs development. We are now cooperating with a famous medical research institution in United States to develop a kind of echogenic liposomes containing nano-gas for the protection of nerve cells of stroke patients. We wish to provide help to those stroke patients with the highest mortality rate in China. In addition, we have developed and been developing several kinds of photodynamic drugs based on the treatment exploration on various complicated dermal diseases from clinicians.

GENETIC TECHNICAL PLATFORM

The Group will enhance the ability on building genetic technical platform. Gene technology including signaling pathways control, suppress or strengthen the protein activity, will become the core technology in the area of new drugs development, especially when the research bases on the most fundamental and specific causes and molecular mechanism of diseases. We have commenced the research on anti-sclerostin mab (骨硬化蛋白抗體)、PCSK9 etc. To keep the balance of development and meet the requirements of therapy in China, the Group will continue in developing new protein drugs based on drug targets which have been used and mature antibody-drug conjugate technology. We will try to realize the commercialization of protein drugs as early as we can.

The progresses of the projects on genetic technical platform are summarized as follows:

A phase II clinical trial of the Recombinant human lymphotoxin α-derivatives (LT) (重組人淋巴毒素 α 衍生物) for the treatment of tumors has been completed. The result demonstrated that the progression-free survival (PFS, 無進展生存期) as well as the overall survival (OS, 總生存期) were not improved in subjects with Advanced Esophageal Squamous Carcinoma (晚期食管鱗癌). In addition, the objective response rate (ORR, 客觀緩解率) did not increase neither. However, there has been a trend of PFS and response rate improvement in the high dose group, although without statistical difference. The Company will continue to investigate its mechanisms in tumors and determine the new research plan.

Clinical Trial Application for 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 submitted. The project is in the communication stage of the review process. The drug is mainly used to treat self-immunological diseases, such as arthritis. The size of potential market is enormous. The Group holds independent intellectual property right ("IPR") of the drug and has applied for PCT patent. It will be one of the key R&D projects of the Group.

During the period under review, the Group restarted the phase I clinical trial of PTH (重組人甲狀旁腺激素）for the treatment of osteoporosis. At the same time, indication of osteoarthritis was also in the research.

The antibody-drug conjugate drugs have shown obvious advantages on tumor treatment in clinical trials, which is much better than the effect of the conventional antibody plus chemotherapy drugs. In order to follow the development trend in bio-pharmaceutical area, CD30-MMAE for the treatment of tumors has entered into pre-clinical study.

Anti-sclerostin mab (骨硬化蛋白抗體) for the treatment of osteoporosis has entered into pre-clinical study.

PCSK9 for the treatment of hypercholesterolemia has entered into pre-clinical study.

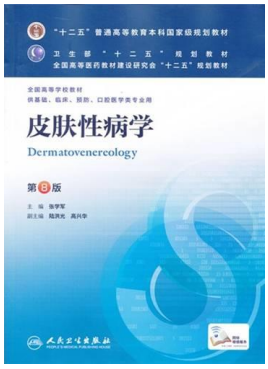
Avastin for the treatment of tumor has entered into pre-clinical study.

PHOTODYNAMIC TECHNICAL PLATFORM

The Group will expand the drugs development based on photodynamic technical platform. Photodynamic drugs have become the most important pipeline of the Group with the feature of “one drug, several indications”. Photodynamic technology has become a new scalpel for clinical treatment. The Group will make efforts to explore the relationship between the therapeutic mechanisms of photodynamic drugs and special causes of diseases in order to research and develop new clinical indications of existing drugs and new drugs to provide new approach for clinical therapy and diagnosis. In addition, the Group will commence further research on molecular mechanism and their mode of action in order to discover new photodynamic compound to improve the efficacy and overcome the defects. The Group will cooperate with other institutions to develop new photodynamic equipment and apply for the international registrations for the launched drugs, which will lay a foundation for the commercialization development of the Group. We have the confidence to become the global leader in photodynamic drugs development area and are willing to make contributions to make photodynamic drugs be used more widely.

The progresses of the projects on photodynamic technical platform are summarized as follows:

As the first commercialization project of the Group, the therapy of Aminolevulinic Acid Hydrochloride combined with photodynamic technology obtained positive market response after it was launched for sale. To expand new indications of this drug is one of the key R&D projects of the Group.



Six years after its launched to the market, ALA (艾拉®) , the first photodynamic drug for the treatment of condyloma acuminate in the world, has become the preferred choice in this area. The therapy of ALA combined with photodynamic technology initiated by the Company was recorded in the 8th edition of《Dermatovenercology》(published in March 2013) and relevant clinical treatment guidance. The Group is preparing the international registration for ALA (艾拉®).

Aminolevulinic Acid Hydrochloride used for the treatment of CIN infected by HPV has entered into the phase I clinical trial. Currently there is no effective intervention or therapy for this disease. New indications of adjuvant therapy with Aminolevulinic Acid Hydrochloride for brain gliomas and treatment for basal cell carcinoma are entering into pre-clinical study.

Hemoporfin (海姆泊芬), the first photodynamic drug for the treatment of port wine stain in the world, is a new drug with new drug target, new compound and new indication. Now the Group has obtained the New Drug Certificates issued by the State Food and Drug Administration and plans to launch for sale in the first half of 2015.

Duteroporphyrin (多替泊芬) for the treatment of tumors has completed the phase I clinical trial and will enter into the clinical phase II soon.

At the same time, in order to improve our photodynamic drugs group, the Group plans to develop new photodynamic chemical compound to overcome the defect of the compounds which included in the launched and used photodynamic products. In addition, the Group will design several laser and LED equipment for the treatment of different indications. On the other side, the Group has cooperated with academic institutions to set up software and hardware repository for photodynamic drugs in order to make the research in the field more systematic and theoretical.

NANO TECHNICAL PLATFORM

The Group will further develop drugs based on new delivery technique includes intravenous liposome nano drugs, oral Granular drug to improve bioavailability and slow-release drugs for skin health management. The Group will research on other new agents such as hypodermic depofoam technique and biodegradable microsphere technique. The Group firmly believes that new agents will improve the drug's efficacy and reduce the associated risk, furthermore will speed up the ability and the progress of commercialization for the Group.

The progresses of the projects on nano technical platform are summarized as follows:

Libod® (里葆多®) for the treatment of tumors, was launched to market in August 2009. The drug is used for the treatment of AIDS-relating Kaposi's sarcoma, breast cancer and ovarian cancer. The Group is registering in US due to the tremendous market capacity of breast cancer and obtained the FDA's approval for clinical research in January 2014.

Vincristine sulfate liposome (LVCR) for the treatment of malignant tumors has entered into phase I clinical trial.

Nanoparticle Albumin-bound Paclitaxel (紫杉醇白蛋白納米粒) for the treatment of tumors, has entered into pre-clinical study.

Echogenic liposomes containing Xenon for the treatment of stroke, a project the Group cooperated with an American company and a research institution has entered into the pre-clinical study.

DIAGNOSIS TECHNOLOGY

During the reporting period the announcement covered, the Group increased spending on diagnosis technique and reagent research, the new fluorescence immunity analyzer and the matching prenatal screening reagent obtained the approval for launching to the market in December 2013. The new time-resolved immunoassay system improves the fluorescence excitation efficiency with its lower cost, smaller volum, higher testing efficiency, etc. compared with traditional time-resolved immunoassay system. In addition, it resolved the problem that traditional time-resolved immunoassay system can only be used in big hospitals. The Group hopes these products can be used widely in numerous junior township hospitals to provide better birth defect intervention services for rural pregnant women.

Moreover, the Group will gradually enrich the diagnosis product lines in addition to downs syndrome testing relying on the brand image and market share in the field of birth defects screening.

The Group will try to set the medium and long-term plans of R&D which are beneficial for investors whenever possible, but on the development path to explore unknown, to break the normal procedures and to create innovative treatments, we will face significant risks and challenges. We should ***stand on solid ground*** and must ***look up at the starry sky***. Hope our efforts can provide useful help for the patients and be of value to investors.

By the end of the year 2013, the major drugs under R&D of the Group are summarized as follows:

Technical platform	Project name	Indications	Progress
Genetic Engineering	Recombinant tissue type plasminogen activator (r-tPA)	Heart infarction	Technology transferred, letter of approval for drug registration issued
	Recombinant human lymphotoxin α-derivatives (rhLT)	Tumor	Clinical trial phase II completed, stopped moving forward to discuss new plan
	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 2-Fc fusion protein mutant 高親和力重組人腫瘤壞死因數受體突變體-Fc 融合蛋白）	Arthritis	Application for clinical study has been submitted
	PTH（重組人甲狀旁腺激素）	Osteoporosis	Restart clinical trial phase I
	CD30-MMAE	Tumor	Pre-clinical study
	Anti-sclerostin mab (骨硬化蛋白抗體)	Osteoporosis	Pre-clinical study
	PCSK9	Hypercholesterolemia	Pre-clinical study
	Avastin	Tumor	Pre-clinical study
Photodynamic technique	Hemoporfin （海姆泊芬）	Port wine stain	Obtained the New Drug Certificate, plan to launch for sale in the first half of 2015
	Deuteroporphyrin （多替泊芬）	Tumors	Clinical trial phase I completed
	Aminolevulinic acid	Cervical diseases infected by HPV	Clinical trial phase I
	Aminolevulinic acid	Acne	Pre-clinical study
	Aminolevulinic acid	Brain gliomas	Pre-clinical study
	Aminolevulinic acid	basal cell carcinoma	Pre-clinical study

Nano technique	Doxorubicin liposome (鹽酸多柔比星脂質體)	Tumors	Registered in USA, obtained the approval for clinical trial
	Vincristine sulphate liposome (硫酸長春新堿脂質體)	Tumors	Clinical trial phase I
	Nanoparticle Albumin-bound Paclitaxel (紫杉醇白蛋白納米粒)	Tumors	Pre-clinical study
	Xenon liposome	Stroke	Pre-clinical study
Others	Antenatal Screening Diagnostic Reagent	Down's Syndrome,etc.	Under research
	Nifeviroc (尼非韋羅)	AIDS	Research AIDS prevention.

In February 2011, the Company entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") with Shanghai Pharmaceuticals Holding Co., Ltd ("Shanghai Pharmaceuticals") 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 Group which are currently at various research stages. During the year 2013, the agreement was enforced as stipulated and R&D work was performed in order.

COMMERCIALIZATION STRATEGY, REVIEW AND PROSPECTS

During the period under review, the Group obtained satisfactory results on commercialization. Product sales revenue increased by 82% compared with that of the last year.

ALA (艾拉®) which is indicated 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. It has had 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 2013 increased by 44%. It is still expected that there will be a sustained increase in the future.

Eyan (易妍®), makeup product for the treatment of acne was launched for sale in the second half of 2010. Compared with last year, its revenue increased by 59% in 2013. 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 has brought favorable market response. Compared with last year, its revenue increased by 147% in 2013. It is still expected to make big contribution to the sales revenue of the Group in future.

FuMeiDa (the proposed brand name of Hemoporfin), which is for the treatment of Port Wine Stain has now entered the pilot production stage. The Company has obtained drug production license and is required to further obtain the drug approval number and pharmaceutical GMP certificate ("GMP Certificate") ect. before FuMeiDa can be launched to the market. As Taizhou Pharmaceutical is a new constructed manufacture plant, the ordering circle for production lines was much longer than expected. In addition, time for scale-up of the process and optimization was extended as well so that it may need more time to obtain the drug approval number and GMP Certificate. It is estimated that the time for launch to market of FuMeiDa will be delayed to the first half of 2015. We deeply apologize to investors and patients for the delay.

During the period under review, all the product lines of the Group passed GMP Certification of China Food and Drug Administration. Our objective is to set up the product lines which can meet international standards so that our products could be sold worldwide. Two product lines launched in Shanghai and Taizhou will start to apply for the certification of U.S. Food and Drug Administration in the year 2014.

During the period under review, the Group made an adjustment on market academic promotion and set up a network service system integrated with academic exchange, clinical case sharing, standard practice video, Q&A between doctors and patients, etc. More than 4,000 dermatologists have joined photodynamic technology WeiXin communication platform, which is of positive significance to products promotion and brand recognition.

Considering that more drugs are going to be registered, the subsidiary of the Company, Taizhou Pharmaceutical has constructed two production lines for the material and injection of Hemoporfin. To make the two production lines at full capacity, the Group has chosen several generic drugs which can be produced with Hemoporfin on the same production line to register. More investment on production lines will be made in the next few years so as to make it become the centralized production base of the Group.

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. The Group is moving toward a virtuous stage of development.

By the end of the year 2013, the commercialized projects of the Group are summarized as follows:

Technical platform	Project name	Indications	launching time
Photodynamic technique	ALA®	Condyloma acuminate	2007
	Eyan®	Acne	2010
	FuMeiDa®	Port wine stain	Estimated in the first half of 2015
Nano technique	Libod®	Tumors	2009
Others	Antenatal Screening Diagnostic Reagent, analysis software and equipment included Beixi®、Beiyou	Down's Syndrome,etc.	Launched already except for the new type Reagent in 2014

INTELLECTUAL PROPERTY RIGHTS

The Group has been actively protecting its IPR on its innovative medicines and research achievements. During the reporting period, the Group applied for 1 invention patent, and has been granted 7 invention patents both domestic and overseas (Europe, Japan, Australia, Canada, America and Russia). By the end of the year 2013, the Group has cumulatively applied for 61 invention patents, and has been granted 34 invention patents.

GRANTS AND AWARDS

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

Key New Drugs Creation "Targeting Anti-tumor Innovative Drugs Incubation Base Construction" obtained further financial aid of National Special Grant for Key S&T Project which totally amounting RMB 5,827,000. The grant totaling RMB 1,767,000 has been obtained during the year 2013. As at 31 December 2013, the Company has received RMB 4,247,000 accumulatively. Moreover, the matching grant from Pudong New District totally amounting RMB 582,700 has been approved. As at 31 December 2013, the Company received RMB 349,600. The project has also applied for another matching grant from Shanghai government which totally amounting RMB 11,654,000. As at 31 December 2013, the application has been approved.

The project of "The clinical trial on Aminolevulinic acid for CIN" obtained S&T grant from Shanghai Science and Technology Committee which totally amounting RMB 600,000. As at 31 December 2013, the Company obtained RMB 480,000.

The project of “The R&D and commercialization of Hemoporfin, the National New Drug Class 1” obtained special financial aid from Jiangsu Province for R&D Achievements of science and technology which amounting RMB 10,782,000. The grant has totally been received during the year 2013.

The project of “Technical Improvement of Hemoporfin” obtained financial aid from the National Development and Reform Commission for Industry Rejuvenation and Technical Improvement in 2013 which amounting RMB 7,860,000. The grant has totally been received during the year 2013.

The project of “The Commercialization of Hemoporfin for injection” obtained financial aid for Strategic Emerging Industries in Jiangsu Province which amounting RMB 10,000,000. And the Group has obtained RMB 7,000,000 during the year 2013.

ALA® has been certified as “Top 10 Innovative Corporation of Shanghai Hi-tech Achievement Transfer Projects in 2012” and ranked No. 1 of “Top 100 of Shanghai Hi-tech Achievement Transfer Projects in 2012”.

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 Appendix 14 (Corporate Governance Code and Corporate Governance Report) (the “Code”) of the Rules Governing the Listing of Securities of the Stock Exchange (the “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:

- Two-thirds of the 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 positions of Chairman and the general manager rest on the same person. Although the Articles of Association contains specific requirements on the responsibilities of the chairman and the general manager (chief executive), such being the responsibilities of managing the operation of the Board and managing the daily operation of the Company, 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 areas of research, production and sales of innovative drugs, and that it has not completely stepped out the venture period for the time being, also for the sake of management efficiency, the Board takes the view that the positions of chairman and 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 to segregate duties of the Chairman and the chief executive.

EMOLUMENTS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND HIGHEST PAID INDIVIDUALS

The remuneration committee determines or makes recommendation to the Board (as appropriate) on the remuneration and other benefits payable to the Directors. The committee regularly oversees the remuneration of all Directors to ensure that their remuneration and compensation are at an appropriate level. The Group maintains competitive remuneration packages with reference to the industry standard and according to the business development of the Group, and determines remuneration of the Directors based on their qualifications, experience and contributions, to attract and retain its Directors as well as to control costs.

Details of senior management of the Group are set out as follows:

	Year 2013	Year 2012
Directors	3	3
Non-directors	4	4
	7	7

The emoluments fell within the following bands:

	Number	
	Year 2013	Year 2012
The emoluments range (HKD)		
< 1,000,000	-	1
1,000,000 – 1,500,000	1	5
1,500,000 – 2,000,000	5	1
2,000,000 – 3,000,000	1	-
	7	7

.

DETAILS OF OPTIONS GRANTED BY THE COMPANY

As at the date of this announcement, 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.

RESTRICTED SHARE SCHEME

On 29 June 2012, the Company adopted the restricted share scheme.

Pursuant to the scheme, the scope of scheme participants shall mainly include Directors, senior management, mid-level management and main research staff of the Group and other key employees who, in the opinion of the Board or the remuneration committee of the Company, contribute directly to the overall business performance and sustainable development of the Group.

As at the date of this announcement, the Company has completed both grant of restricted shares to the scheme participants.

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

As at 31 December 2013, the interests (if any) of the Directors, chief executive and Supervisors and their respective associates in the shares or debentures (including interests in shares and / or short positions) of the Company and its associated corporations, (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 the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules 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	57,886,430 (L)	Beneficial owner	Personal	9.93%	6.27%
Su Yong	Domestic Shares	22,312,860 (L)	Beneficial owner	Personal	3.83%	2.42%
Zhao Da Jun	Domestic Shares	19,260,710 (L)	Beneficial owner	Personal	3.30%	2.09%
Fang Jing	Domestic Shares	5,654,600 (L)	Beneficial owner	Personal	0.97%	0.61%

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2013, 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, or as recorded in the register maintain under Section 336 of the SFO, or as notified to the Company and the Stock Exchange were 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	23.94%	22.77%
	H Shares	70,564,000 (L)			20.75%	

Shanghai Pharmaceuticals Holding Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial owner	Corporate	23.94%	22.77%
	H Shares	70,564,000 (L)			20.75%	
China New Enterprise Investment Fund II	Domestic Shares	156,892,912 (L)	Beneficial owner	Corporate	26.91%	17.00%
Yang Zong Meng	Domestic Shares	80,000,000 (L)	Beneficial owner	Personal	13.72%	8.67%
Shum Ning	H Shares	31,628,000 (L)	Beneficial owner	Personal	9.30%	3.43%
Fudan University	Domestic Shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.25%	3.32%
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	5.25%	3.32%
Boxin China Growth Fund I LP	H Shares	27,000,000 (L)	Investment manager	Corporate	7.94%	2.93%

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

Note 2: During the period this announcement covered, Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. has sold part of its interest in the Company to East J Investment Co., LTD., and East J Investment Co., LTD. has subsequently sold such interest to Yang Zong Meng, a natural person.

CONNECTED TRANSACTIONS

For the year ended 31 December 2013, the connected transactions of the Company are set out as follows:

(1) Connected Transaction

Cooperation framework agreement with a wholly-owned subsidiary of Zhangjiang Hi-Tech

On 26 February 2008, the Company entered into an agreement with a wholly-owned subsidiary of Zhangjiang Hi-Tech for cooperation to construct the industrial space next to the Company’s existing site. Zhangjiang Hi-Tech was one of the substantial shareholders and sold all the equity in the Company during the reporting period. This was a connected and discloseable transaction. Details were set out in the circular issued on 28 March 2008. The transaction was approved on the extraordinary general meeting held on 23 May 2008.

The Company transferred the construction-in-progress project in March 2010. As at 31 December 2013, the Company purchased the industrial buildings next to the existing site, and the registration of property right of real estate had been completed.

(2) Continuing Connected Transactions

Sales and distribution agreement with Shanghai Pharmaceutical Distribution

In order to leverage the established and extensive sales and distribution network of Shanghai Pharmaceuticals, a substantial shareholder, the Company has been engaging Shanghai Pharmaceutical Distribution Co., Ltd. ("Shanghai Pharmaceutical Distribution "), as its distribution agent since 10 August 2010 when the Company entered into a sales and distribution agreement (the "Sales and Distribution Agreement") with Shanghai Pharmaceutical Distribution, a wholly-owned subsidiary of Shanghai Pharmaceuticals. Details of the updated Sales and Distribution Agreement were set out in the circular issued by the Company on 12 April 2013. The Company and Shanghai Pharmaceutical estimated that the proposed annual caps for the continuing connected transactions contemplated under the Sales and Distribution Agreement for the three years ended 31 December 2015 are approximately RMB20 million, RMB31 million and RMB50 million, respectively. The transaction was approved at the annual general meeting held on 30 May 2013. This is a continuing connected transaction and discloseable transaction. During the year 2013, the product sales revenue to Shanghai Pharmaceutical Distribution was RMB13,869,000, which did not exceed the proposed annual cap approved at the annual general meeting.

Strategic Cooperation Agreement for Innovative Pharmaceuticals Research and Development with Shanghai Pharmaceuticals

In February 2011, the Company entered into the Strategic Cooperation Agreement with Shanghai Pharmaceuticals for the cooperation on innovative pharmaceutical research and development. Both parties would jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Group which are currently at various research stages. Details were set out in the circular issued on 8 April 2011. The transaction was approved on the annual general meeting held on 27 May 2011. The proposed annual caps for the continuing connected transactions contemplated under the Strategic Cooperation Agreement for the three years ended 31 December 2013 were approximately RMB37 million, RMB32 million and RMB40 million, respectively. This is a continuing connected transaction and disclosable transaction. During the year 2013, the Group recognized the cooperation development income with Shanghai Pharmaceuticals amounting to RMB 27,492,000, which did not exceed the proposed annual cap approved at the annual general meeting held on 27 May 2011.

The Audit Committee has reviewed the above mentioned continuing connected transactions and confirmed that the transactions have been entered into:

(1) in accordance with the Group's pricing policies;

(2) in the ordinary and usual course of business of the Company;

(3) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as

appropriate) independent third parties; and

(4) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange on 26 March 2014.

None of these related party transactions constitutes a connected transaction that should be disclosed, except for the above connected transaction and continuing connected transactions, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

PRE-EMPTIVE RIGHTS

There is no provision for the purchase of the pre-emptive rights in the articles of association of the Company or under the laws of PRC (being the jurisdiction in which the Company was incorporated), 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. The Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director who are Mr. Pan Fei, Mr. Cheng Lin and Mr. Shen Bo. 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 internal controls to check whether they comply with the Listing Rules, and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group's annual results for 2013 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 "Listing Rules", each of the Independent Non-executive Directors of the Company has confirmed with the Company their independence. The Company has received such confirmations from the Independent Non-executive Directors and considers the independence of Independent Non-executive Directors.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.fd-zj.com.

The 2013 annual report will be despatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
Wang Hai Bo
Chairman

As at the date of this announcement, 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)
Ms. Ke Ying (Non-executive Director)
Mr. Shen Bo (Non-executive Director)
Ms. Yu Xiao Yang (Non-executive Director)
Mr. Pan Fei (Independent Non-executive Director)
Mr. Cheng Lin (Independent Non-executive Director)
Mr. Zhou Zhong Hui (Independent Non-executive Director)
Mr. Lam Yiu Kin (Independent Non-executive Director)

Shanghai, the PRC

26 March 2014

* *For identification purpose only*