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 2014

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "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.

FIVE YEARS FINANCIAL DATA HIGHLIGHTS

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**470,900**	415,925	232,527	133,890	92,390
Operating profit	**129,960**	108,360	63,866	42,489	6,932
Finance costs	**(1,861)**	(9,414)	(6,166)	(4,862)	(2,946)
Profit before income tax	**128,099**	98,946	57,700	37,627	3,986
Income tax expense	**(17,605)**	(15,405)	(5,264)	(5,255)	(2,801)
Profit for the year	**110,494**	83,541	52,436	32,372	1,185
Profit attributable to:					
Shareholders of the Company	**118,258**	87,218	53,159	30,826	3,681
Non-controlling interests	**(7,764)**	(3,677)	(723)	1,546	(2,496)
Total comprehensive income for the year	**110,494**	83,541	52,446	32,362	1,185
Total comprehensive income attributable to:					
Shareholders of the Company	**118,258**	87,218	53,166	30,819	3,681
Non-controlling interests	**(7,764)**	(3,677)	(720)	1,543	(2,496)
EBITDA	**155,748**	124,212	74,874	49,313	13,972
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	**RMB0.1281**	RMB0.1009	RMB0.0749	RMB0.0434	RMB0.0052

FIVE YEARS FINANCIAL DATA HIGHLIGHTS (Continued)

ASSETS AND LIABILITIES

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**824,481**	749,216	537,296	358,881	304,154
Total liabilities	**(148,062)**	(183,291)	(277,183)	(157,814)	(135,449)
	676,419	565,925	260,113	201,067	168,705
Capital and reserves attributable to shareholders of the Company	**650,975**	532,717	223,228	170,062	139,243
Non-controlling interests	**25,444**	33,208	36,885	31,005	29,462
	676,419	565,925	260,113	201,067	168,705

The board of Directors (the "Board") of the Company presents the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	3	470,900	415,925
Cost of sales	4	(36,821)	(32,407)
Gross profit		434,079	383,518
Other income		81,770	46,417
Research and development costs	4	(105,071)	(68,108)
Distribution and marketing costs	4	(258,025)	(232,057)
Administrative expenses	4	(22,650)	(20,772)
Other operating expenses	4	(143)	(638)
Operating profit		129,960	108,360
Finance costs		(1,861)	(9,414)
Profit before income tax		128,099	98,946
Income tax expense	5	(17,605)	(15,405)
Profit for the year		110,494	83,541
Other comprehensive income		-	-
Total comprehensive income for the year		110,494	83,541
Profit attributable to:			
Shareholders of the Company		118,258	87,218
Non-controlling interests		(7,764)	(3,677)
		110,494	83,541
Total comprehensive income attributable to:			
Shareholders of the Company		118,258	87,218
Non-controlling interests		(7,764)	(3,677)
		110,494	83,541
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	7	RMB 0.1281	RMB 0.1009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Dividend	6	46,150	-

CONSOLIDATED BALANCE SHEET OF THE GROUP
AND BALANCE SHEET OF THE COMPANY
AS AT 31 DECEMBER 2014

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Non-current assets					
Leasehold land payments		32,550	33,340	3,861	3,967
Property, plant and equipment		285,740	264,732	127,132	107,123
Technical know-how		2,867	2,099	25,592	701
Deferred costs		17,131	9,997	43	740
Investments in subsidiaries		-	-	70,863	80,613
Investment in an associate		-	-	-	-
Deferred income tax assets		3,727	6,383	5,113	5,999
Other non-current assets		3,011	2,954	2,352	1,738
		345,026	319,505	234,956	200,881
Current assets					
Inventories		13,983	15,568	10,897	12,828
Trade receivables	8	86,132	66,986	85,504	63,841
Other receivables, deposits and prepayments		16,389	20,432	7,069	11,465
Amount due from a related party		6,854	1,798	6,854	1,714
Amounts due from subsidiaries		-	-	66,856	55,962
Cash and cash equivalents		356,097	324,927	333,587	290,833
		479,455	429,711	510,767	436,643
Total assets		824,481	749,216	745,723	637,524

CONSOLIDATED BALANCE SHEET OF THE GROUP
AND BALANCE SHEET OF THE COMPANY (CONTINUED)
AS AT 31 DECEMBER 2014

	Note	Group As at 31 December 2014 RMB'000	Group As at 31 December 2013 RMB'000	Company As at 31 December 2014 RMB'000	Company As at 31 December 2013 RMB'000
Non-current liabilities					
Borrowings		-	25,000	-	-
Deferred revenue		26,954	35,647	8,221	2,329
		26,954	60,647	8,221	2,329
Current liabilities					
Trade payables	9	2,789	8,843	2,123	7,450
Other payables and accruals		66,210	68,159	62,822	62,924
Current income tax liabilities		7,068	8,977	7,068	9,029
Amounts due to related parties		3,049	-	3,045	-
Amount due to a subsidiary		-	-	269	-
Borrowings		25,000	15,000	-	-
Deferred revenue		16,992	21,665	9,265	11,290
		121,108	122,644	84,592	90,693
Total liabilities		148,062	183,291	92,813	93,022
Capital and reserves attributable to shareholders of the Company					
Share capital		92,300	92,300	92,300	92,300
Reserves	10	558,675	440,417	560,610	452,202
		650,975	532,717	652,910	544,502
Non-controlling interests		25,444	33,208	-	-
Total equity		676,419	565,925	652,910	544,502
Total equity and liabilities		824,481	749,216	745,723	637,524
Net current assets		358,347	307,067	426,175	345,950
Total assets less current liabilities		703,373	626,572	661,131	546,831

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2014

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 share 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. Therefore the share capital of the Company was increased to RMB 85,200,000.

On 29 June 2012, the Company adopted a restricted share scheme. Pursuant to the scheme, the Company granted a total of 71,000,000 domestic shares as restricted shares to directors, senior management, mid-level management and key research staff of the Group on 24 June 2013 and 21 October 2013, respectively, at a price of RMB 0.51 with a par value of RMB 0.10 each. Upon completion of the grants, the share capital of the Company was increased to RMB 92,300,000.

On 16 December 2013, the Company transferred its H Shares listing from GEM to the Main Board of the Stock Exchange.

As at 31 December 2014, the Company had direct interests of 100%, 65%, 69.77% and 56% in four subsidiaries, namely 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 Group is principally engaged in the 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.

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

This consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This consolidated financial information was approved for issue by the Board of Directors of the Company on 24 March 2015.

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 consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 amendments and interpretation of IFRS adopted by the Group

The following new amendments and interpretation of IFRS are mandatory for the first time for the financial year beginning on or after 1 January 2014.

IFRS 10 (Amendments)	Consolidated Financial Statements, on consolidation for investment entities
IFRS 12 (Amendments)	Disclosures of Interests in Other Entities
IAS 27 (Amendments)	Separate Financial Statements, on consolidation for investment entities
IAS 32 (Amendments)	Financial Instruments: Presentation
IAS 36 (Amendments)	Impairment of Assets, on recoverable amount disclosures
IAS 39 (Amendments)	Financial Instruments: Recognition and Measurement, on novation of derivatives
IFRIC Interpretation 21	Levies

The adoption of the above new amendments and interpretation of IFRS starting from 1 January 2014 did

not have any significant impact on the Group's financial statements.

(ii) The following new standards and amendments of IFRS which are relevant to the Group's operations 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 and amendments will not result in substantial changes to the Group's financial statements.

IFRS 2 (Amendments)	Share-based Payment
IFRS 3 (Amendments)	Business Combinations
IFRS 7 (Amendments)	Financial Instruments: Disclosures
IFRS 8 (Amendments)	Operating Segments
IFRS 9	Financial Instruments
IFRS 10 (Amendments)	Consolidated Financial Statements, on applying the consolidation exception
IFRS 11 (Amendments)	Joint Arrangements
IFRS 13 (Amendments)	Fair Value Measurement
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IAS 1 (Amendments)	Presentation of Financial Statements
IAS 16 (Amendments)	Property, Plant and Equipment
IAS 19 (Amendments)	Employee Benefits
IAS 24 (Amendments)	Related Party Disclosures
IAS 27 (Amendments)	Separate Financial Statements, on equity method in separate financial statements
IAS 28 (Amendments)	Investments in Associates and Joint Ventures
IAS 38 (Amendments)	Intangible Assets

(iii) New Hong Kong Companies Ordinance (Cap.622).

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 (i.e. year beginning 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(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 the 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:

	2014 RMB'000	2013 RMB'000
Sales of medical products	460,455	410,847
Exclusive rights (Note (a))	5,000	5,000
Technology transfer revenue (Note (b))	5,445	78
	470,900	415,925

(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 respectively as revenue in 2014 and 2013.

(b) On 15 July 2014, the Company entered into a technology transfer contract with a pharmaceutical company to transfer Vincristine Sulphate Liposome("LVCR") for a total consideration of RMB 16,800,000, of which RMB 6,090,000 was received in 2014. LVCR is one of the four existing drug research projects the Group cooperated with Shanghai Pharmaceuticals Holding Co., Ltd. ("SPHCL"), a shareholder of the Company. According to the cooperation agreement, the Group and SPHCL will share equally the future benefits generated from this project. Therefore, RMB 3,045,000 was recognised as revenue in 2014 as the Company completed the respective milestones of the transfer as specified in the contract and economic benefits associated with the completion had flowed to the Company.

On 15 July 2014, the Company entered into a technology transfer contract with a pharmaceutical company to transfer Amphotericin B Liposome for a total consideration of RMB 6,000,000, of which RMB 3,900,000 was received and RMB 2,400,000 was recognised as revenue in 2014 as the Company completed the respective milestones of the transfer as specified in the contract and economic benefits associated with the completion had flowed to the Company.

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 to 2013. The last royalty payment of RMB 78,000 was received and recognised as revenue in 2013.

4 EXPENSES BY NATURE

	2014 RMB'000	2013 RMB'000
Amortisation of leasehold land payments	790	790
Less: Amounts capitalised in construction in progress	-	(684)
	790	106
Amortisation of deferred costs (included in 'Cost of sales')	1,395	1,014
Amortisation of technical know-how (included in 'Administrative expenses')	276	206
Auditors' remuneration		
- Audit services	1,890	1,238
- Non-audit services	8	308
(Reversal of)/Provision for impairment of receivables	(573)	769
Write-off of inventories	1,474	435
Changes in inventories of finished goods and work in progress	635	5,838
Raw materials and consumables used	30,763	22,775
Depreciation of property, plant and equipment	23,327	14,526
Losses on disposal of property, plant and equipment	51	398
Operating lease rentals in respect of land and buildings	1,145	742
Research and development costs, excluding employee benefit expenses	22,459	7,495
Employee benefit expenses	70,510	64,695
Marketing and sales promotion expenses	223,597	199,313
Post-marketing study expenses	25,140	19,211
Quality inspection expenses	6,918	5,140
Others	12,905	9,773
Total cost of sales, research and development costs, distribution and marketing costs, administrative expenses and other operating expenses	422,710	353,982

5 INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current income tax	14,949	17,424
Deferred tax	2,656	(2,019)
	17,605	15,405

Effective from 1 January 2008, the Company and its subsidiaries are required to 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. The Company was recognised as a high-tech enterprise, and the applicable tax rate of the Company is 15% in 2014 (2013: 15%). The applicable tax rates of the subsidiaries are 25% in 2014 (2013: 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:

	2014 RMB'000	2013 RMB'000
Profit before income tax	128,099	98,946
Tax calculated at the applicable tax rate of 25%	32,025	24,737
Effect of tax rate reduction	(13,399)	(11,288)
Tax losses not recognised as deferred tax assets	1,482	4,606
Additional deduction of research and development expenditures	(5,078)	(2,976)
Expenses not deductible for income tax purposes	150	352
Differences of prior year income tax annual filing	(680)	(270)
Effect of unrealised profits on intra-group transactions	5,367	244
Utilisation of previously unrecognised tax losses	(2,262)	-
Tax charge	17,605	15,405

6 DIVIDEND

On 24 March 2015, the Board of Directors recommended the payment of a final dividend of RMB 0.05 (2013: nil) per ordinary share, totalling RMB 46,150,000 (2013: nil) for the year ended 31 December 2014. The proposed final dividend in respect of the year ended 31 December 2014 is calculated based on the total number of shares in issue as at the date of this report. The payment of the proposed final dividend is to be approved by the shareholders at the Company's forthcoming Annual General Meeting. The financial statements do not reflect this dividend payable.

	2014 RMB'000	2013 RMB'000
Proposed final dividend of RMB 0.05 (2013: nil) per ordinary share	46,150	-

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.

	2014	2013
Profit attributable to shareholders of the Company (RMB'000)	118,258	87,218
Weighted average number of ordinary shares in issue ('000)	923,000	864,352
Basic earnings per share (RMB)	0.1281	0.1009

There is no difference between the basic and diluted earnings per share for the years ended 31 December 2014 and 2013 as there were no dilutive potential ordinary shares during the years then ended.

8 TRADE RECEIVABLES

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Accounts receivable (Note (a))	72,604	64,832	71,765	61,524
Less: Provision for impairment	(1,174)	(1,756)	(963)	(1,593)
Accounts receivable - net	71,430	63,076	70,802	59,931
Notes receivable (Note (b))	14,702	3,910	14,702	3,910
	86,132	66,986	85,504	63,841

As at 31 December 2014 and 2013, the fair value of the trade receivables approximated their carrying amounts, and the carrying amounts of trade receivables are all denominated in RMB.

(a) Accounts receivable are arisen 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 2014 and 2013, are as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Accounts receivable - gross				
- Within credit terms	56,320	55,315	55,801	53,397
- Past due within 30 days	11,231	3,712	11,231	3,430
- Past due over 30 days and within 60 days	641	1,674	641	1,198
- Past due over 60 days and within 90 days	238	600	238	401
- Past due over 90 days and within one year	3,390	2,231	3,243	1,874
- Past due over one year	784	1,300	611	1,224
	72,604	64,832	71,765	61,524

As at 31 December 2014, trade receivables of RMB 16,284,000 (2013: RMB 9,517,000) were impaired and provided for. The amount of provision was RMB 1,174,000 (2013: RMB 1,756,000). As at 31 December 2014 and 2013, the accounts receivable ageing over one year were fully impaired.

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At beginning of the year	1,756	1,012	1,593	938
(Reversal)/Accrual of provision for impairment of receivables	(573)	769	(630)	680
Receivables written off during the year as uncollectable	(9)	(25)	-	(25)
At end of the year	1,174	1,756	963	1,593

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 receivables mentioned above. Accounts receivable are unsecured and interest free.

(b) Notes receivable are arisen from sales of products, with no interest and guarantee. They are all bank acceptance notes with maturities less than six months.

9 TRADE PAYABLES

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Accounts payable (note (a))	2,789	8,843	2,123	7,450

As at 31 December 2014 and 2013, 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 2014 and 2013, the ageing analysis of accounts payable based on invoice date are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
- Within 30 days	2,509	7,924	1,843	6,531
- 31 days to 60 days	31	551	31	551
- 61 days to 90 days	-	4	-	4
- Over 90 days but less than one year	18	201	18	201
- Over one year	231	163	231	163
	2,789	8,843	2,123	7,450

10 RESERVES

(i) The reserves of the Group attributable to shareholders of the Company for the years ended 31 December 2014 and 31 December 2013 are as follows:

	Capital accumulation reserve (Note a) **RMB'000**	**Statutory common reserve fund** (Note b) **RMB'000**	**(Accumulated losses)/Retained earnings** (Note c) **RMB'000**	**Total** **RMB'000**
At 1 January 2013	211,240	6,419	(65,431)	152,228
Profit for the year 2013	-	-	87,218	87,218
Appropriation to statutory reserves	-	9,749	(9,749)	-
Premium on shares issued less issuance costs	200,971	-	-	200,971
At 31 December 2013	412,211	16,168	12,038	440,417
Profit for the year 2014	-	-	118,258	118,258
Appropriation to statutory reserves	-	10,841	(10,841)	-
At 31 December 2014	412,211	27,009	119,455	558,675

(ii) The reserves of the Company for the years ended 31 December 2014 and 31 December 2013 are as follows:

	Capital accumulation reserve (Note a) RMB'000	Statutory common reserve fund (Note b) RMB'000	Retained earnings (Note c) RMB'000	Total RMB'000
At 1 January 2013	115,014	6,419	32,310	153,743
Profit for the year 2013	-	-	97,488	97,488
Appropriation to statutory reserves	-	9,749	(9,749)	-
Premium on shares issued less issuance costs	200,971	-	-	200,971
At 31 December 2013	315,985	16,168	120,049	452,202
Profit for the year 2014	-	-	108,408	108,408
Appropriation to statutory reserves	-	10,841	(10,841)	-
At 31 December 2014	315,985	27,009	217,616	560,610

(a) Capital accumulation reserve includes share premium arising from the issue of shares at a price in excess of their par value 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 217,616,000 as at 31 December 2014 (2013: RMB 120,049,000).

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. The outcomes of the Group's research and development activities will be given preference to be used by the Group for its own commercialization. As a result of its business focus, the Group only received and recognised RMB 78,000 and RMB 5,445,000 as the revenue generated from technology transfer in 2013 and 2014 respectively. Accordingly, the management considers that the Group only operates a single business segment and hence no segment information is presented.

The Company and all its subsidiaries operate in the PRC and the Group's revenue is principally derived in the PRC.

Revenues of approximately RMB 269,172,000 (2013: RMB 213,995,000) 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 of the Group and the related notes to the consolidated financial statements for reference.

REVENUE

The Group's consolidated revenue for the year 2014 amounted to approximately RMB 470,900,000, comparing to RMB 415,925,000 for the year 2013, representing an increase of 13%.

The total revenue for the year 2014 mainly came from the sale of medical products, revenue recognized from exclusive distribution rights and the revenue from technology transfer. The source of total revenue for the year 2014 was the same as that of 2013.

Revenue from sale of medical products

Revenue of the Group from the sale of medical products for the year 2014 was RMB 460,455,000 (or 98% of the total revenue) , increased by 12% from that of last year which was RMB 410,847,000. The major products of the Group, ALA®(鹽酸氨酮戊酸，ALA) and Libod®(鹽酸多柔比星脂質體，Doxorubicin liposome), have contributed 39% and 57% to the total revenue of the Group, respectively.

Revenue 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, an amount of RMB 5,000,000 (or 1.1% of the total revenue) was recognized as revenue in 2014. The amount recognized for the year 2013 was RMB 5,000,000.

Revenue from technology transfer

Revenue from technology transfer for the year 2014 was RMB 5,445,000. It's the result recognized from the two technology transfers (Vincristine Sulphate Liposome and Amphotericin B Liposome) by the Company to a third party pharmaceutical company.

COST OF SALES

For the year 2014, cost of sales of the Group was RMB 36,821,000, while the corresponding figure for 2013 was RMB 32,407,000. The ratio of cost of sales to revenue from sale of products rose to 8.0% from the level of 7.9% for last year, and remains generally stable. The increase in costs was mainly due to the increase in sales of Libod of the Group in 2014.

OPERATING PROFIT

For the year 2014, operating profit of the Group was RMB 129,960,000, comparing to the operating profit of RMB 108,360,000 for the year 2013, representing an increase of 20%.

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

- Other income for the year 2014 was RMB 81,770,000, compared with RMB 46,417,000 for the year 2013, representing an increase of 76%, mainly due to a strategic cooperation agreement (the "Strategic Cooperation Agreement") signed by the Group with Shanghai Pharmaceuticals Holding Co., Ltd ("Shanghai Pharmaceuticals"), according to which related income recognized increased to RMB 40,029,000 in the year 2014 (2013: RMB 27,492,000). And the government grant income recorded in the year 2014 increased to RMB 33,173,000 (2013: RMB 14,731,000).

- Research and development costs for the year 2014 were RMB 105,071,000, compared with RMB 68,108,000 for the year 2013, representing an increase of 54%. It is mainly because the Group has launched several new research projects and some projects have been put into clinical trial.

- Distribution and marketing costs for the year 2014 were RMB 258,025,000, compared with RMB 232,057,000 of the year 2013, representing an increase of 11%. The distribution and marketing costs grew in line with the increase in revenue for sale of medical products. The growth rate is near to that of revenue from sale of medical products. The ratio of distribution and marketing costs to revenue for sale of products decreased to 56% from 56.5% for last year, and remains generally stable.

- Administrative expenses for the year 2014 were RMB 22,650,000, compared with RMB 20,772,000 for the year 2013, representing an increase of 9%. It is mainly due to the increases in payroll, welfare and bonus.

- Other operating expenses for the year 2014 were RMB 143,000, compared with RMB 638,000 for the year 2013, representing a decrease of 78%. The amounts of last year were the losses related to the disposal of fixed assets and donation expense and such expenditure is much less in 2014.

FINANCE COSTS

For the year 2014, finance costs of the Group was RMB 1,861,000, compared with RMB 9,414,000 for the year 2013, representing a decrease of 80%. It is mainly due to the decrease in interest expense because the Company continued to repay bank loans in 2013 and 2014. Moreover, Hong Kong dollars derived from the placement of H shares of the Company in 2013 were almost accepted in 2014, therefore the loss in exchange was decreased.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company of RMB 118,258,000 was recorded in the consolidated financial statements for the year 2014, compared with that of RMB 87,218,000 for the year 2013.

The profit attributable to shareholders of the Company of RMB 108,408,000 was recorded in the financial statements of the Company for the year 2014, compared with that of RMB 97,488,000 for the year 2013.

DIVIDENDS

Relevant resolution was passed at a meeting of the Board held on 24 March 2015 to propose to distribute a final dividend of RMB 0.05 per share (tax inclusive) for the year ended 31 December 2014, totalling approximately RMB 46,150,000. If the profit distribution plan is approved by the shareholders by way of an ordinary resolution at the 2014 annual general meeting to be held on Friday, 29 May 2014, the final dividend is expected to be distributed on Monday, 27 July 2015 to holders whose names appear on the register of the Company on Thursday, 11 June 2015. Final dividend for holders of domestic shares will be declared and calculated in RMB, and paid in RMB whereas final dividend for holders of H shares will be declared and calculated in RMB, and paid in Hong Kong dollars. The exchange rate shall be determined by the average selling rates promulgated by People's Bank of China within one week before the date declaring to distribute the final dividend.

Pursuant to the Corporate Income Tax Law of the PRC ("CIT Law") and its implementing regulations, the tax rate of the corporate income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders as defined under the CIT Law. The Company will distribute the final dividend to non-resident enterprise shareholders subject to a deduction of 10% corporate income tax withheld and paid by the Company on their behalf.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of GuoShui Fa [1993] No. 045 Document issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% personal income tax will be withheld from the final dividend payable to any individual shareholders whose names appear on the register of members of H shares of the Company on 11 June 2015, unless otherwise stated in the relevant taxation regulations, taxation agreements or the Notice.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

SIGNIFICANT INVESTMENTS

The Board approved to establish a joint venture named De Mei Zhen Lian Co., Ltd.* (德美診聯有限公司) ("De Mei Zhen Lian", the proposed name is subject to the approval from the department of industry and commerce) by the Company and independent third parties, including Zhong He Hou De Investment Management Co., Ltd.* (中和厚德投資管理有限公司) ("Zhong He Hou De") in China (Shanghai) Pilot Free Trade Zone. De Mei Zhen Lian will make investment to establish and operate nationwide skin beauty chain clinics, by taking advantage of the brand effect and market share of the Company in the skin beauty field of medical market. As at 31 December 2014, the final cooperation agreement had not been entered into.

Saved as disclosed above, the Company had no other significant investments as at 31 December 2014.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Board approved to enter into the share transfer agreement with the three original shareholders of Shanghai Youni Bio-tech Co. Ltd.("Youni Bio-tech"), namely Mr. Liang Jun, Mr. Zhang Yulin and Mr. Huang Xiaojin, (as the vendors) on 12 December 2014, pursuant to which the Company had conditionally agreed to acquire and the vendors had conditionally agreed to sell the shares in Youni Bio-tech representing 90% of the total registered share capital of Youni Bio-tech at a cash consideration of RMB22,500,000.00 (equivalent to approximately HK$28,125,000.00) in aggregate. Youni Bio-tech is a biotechnology company that is principally engaged in the research and development, manufacture and sales of reagents for food safety detection. Details of this transaction were set out in the announcement issued by the Company on 12 December 2014.The share transfer was finished in January 2015.

Saved as disclosed above, the Company had no material acquisitions or disposals of subsidiaries and associated companies as at 31 December 2014.

CONTINGENT LIABILITIES

As at 31 December 2014, the Directors were not aware of any material contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2014, the Group did not have any charge on assets.

BANKING FACILITIES

On 21 March 2011, the bank borrowing of RMB 25,000,000 was taken by Taizhou Pharmaceutical Co., Ltd., a subsidiary of the Group, and bore an interest rate based on the market rate published by People's Bank of China. The borrowing is guaranteed by the Company, and is due for repayment on 20 March 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2014, the construction of manufacturing plant planned by the Group in Taizhou had completed the basic workshop for Hemoporfin and office space. The trial production had completed.

The Company is now studying the feasibility to construct an additional building in the existing office so as to expand the base for more operating activities such as small-scale trial production.

Besides, the Group had no other material capital expenditure plan for the moment.

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 (the "Stock Exchange"), proceeds from the share placement, grants from the municipal government authorities and commercial loans. As at 31 December 2014, the Group had a loan of RMB 25,000,000 outstanding. Such loan is an unsecured bank loan.

As at 31 December 2014, the Group had cash and cash equivalents of approximately RMB 356,097,000.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank borrowings and loans from government authorities) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt. As at 31 December 2014 and 2013, cash and cash equivalents is much more than total balance of bank loans of the Group, therefore, the gearing ratio is not applicable.

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 Hong Kong dollars 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 2014, the Group had a total of 498 employees, as compared to 430 employees as at 31 December 2013. Staff costs including directors' remuneration for the year 2014 were RMB 70,510,000, compared with RMB 64,695,000 for the year 2013. The salaries and benefits of employees provided by 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 by the Group.

USE OF PROCEEDS

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. The amount of net proceeds from the placing was approximately HKD 233,909,000 (equivalent to approximately RMB 185,575,000) (after deducting all applicable costs and expenses, including commissions, legal fees and levies). The net proceeds were applied in the planned projects described in the circular of the Company dated 14 May 2012 and the announcement of the Company dated 16 January 2013.

As at 31 December 2014, particulars of the proceeds from the placing were used as follows:

	Budget	By the end of 31 December 2014 Total amount that has been utilised
	RMB'000	RMB'000
Research and development projects		
- the clinical study project regarding using ALA for the treatment of cervical intraepithelial neoplasia	**20,000**	5,259
- the pre-clinical study and clinical study project regarding using ALA for the treatment of brain glioma	**10,000**	1,164
- the pre-clinical and clinical study project of paclitaxel albumin nanoparticles	**20,000**	11,289
- the pre-clinical and clinical study project of CD30-MMAE	**30,000**	11,599
To repay the debts of the Company	**20,000**	20,000
For the working capital of the Company	**85,575**	85,575
Total	**185,575**	134,886

BUSINESS REVIEW

DEVELOPMENT CONCEPTS AND OBJECTIVE

With the ultimate goal to stay as an innovator in the bio-pharmaceutical industry, the Group is committed to developing novel and more effective treatments/medicines to meet the unmet needs of clinical and patients treatment and the demand of improvement, so as to realize our mission that The More We Explore, the Healthier Human Beings Will Be.

RESEARCH STRATEGY, REVIEW AND PROSPECTS

During the period under review, the Group has committed to developing new medicines and innovative treatments to tackle selected diseases based on the better understanding of the cause of the diseases by genetic background and molecular mechanism analysis. Our three research and development platforms, namely, genetic engineering, photodynamic-tech and nanotech, have laid solid foundation for our drug development mode. In addition, our diagnostics business unit has been further strengthened to define a clear development direction.

The year of 2013 and 2014 have witnessed the inspiring breakthroughs and innovations in drug discovery and medical treatments, and it reinforced our long-held belief on research and development strategy that personalized medicine research and development should be the norm rather than the exception. Today researches on non-mainstream personalized treatment of certain complicated diseases, such as cancers, autoimmune disorder, skeletal diseases and neurodegenerative diseases, has attracted considerable attentions and investments. It is recognized that the one-dimensional knowledge of drugs based on point-to-point treatment has been developed towards multi-dimensional control based on multiple target point dynamic process.

The process of drugs discovery and development has been greatly re-shaped by the advances in DNA sequencing and bio-molecular technology, such as Next Generation Screening ("NSG") and Clustered Regularly Interspaced Short Palindromic Repeats ("CRISPR"). A new way for drug discovery and development, namely Integrated and Collective Scientific Drug Development, is spearheaded by the Group together with top researchers, scientists and medical specialists. Our research cohort is to assemble and analyze the existing know-how, information, data and technologies related to the selected diseases, to study generic mutation and abnormal of cell signaling pathways, to find biological targets and identify valid biomarkers, and ultimately to transfer the findings into clinic treatment. The Integrated and Collective Scientific Drug Development model will optimize the process of identifying and validating clinically relevant disease targeted for drug design, further improve the Group's research and development capability, and bring new directions, opportunities and enduring benefits to the Group.

At present, the Group has been applying this research model with several world-class laboratories on skeletal diseases, Alzheimer's disease and liver cancer. We already began to conduct such researches on regulating osteoarthritis and osteoporosis drugs based on studying the special factors in wnt signaling pathway and hedgehog signaling pathway. We started to explore the interaction mechanisms between βandγenzyme which generated Aβ in order to find candidate drugs for the treatment of Alzheimer's disease. We also made research on the treatment of liver cancer by intervention of Hippo, Wnt/-catenin and Notch. We will closely follow the progresses made by "Accelerating Medicines Partnership (AMP)" to make our research more efficient and successful. The AMP is a joint effort between the NIH (National Institution of Health), 10 global biopharmaceutical

corporations and non-profit organizations including Alzheimer's disease association and American Diabetes Association, and etc., with the goal of developing new diagnostics and treatments by jointly identifying and validating promising biological targets of disease. AMP is launched in 2014 and is focused on three disease areas, namely type 2 diabetes, rheumatoid arthritis and lupus, with the initial investment of USD 230,000,000.

The rich experience gained from clinicians and their practice are highly valued in the process of drug design and development for complicated diseases such as Cardiovascular and dermal disease. The Group believes that the key to successful translational medicine research is to tightly integrate scientific research, clinical practice and drug discovery development. Currently, the Group is cooperating with clinicians at home and abroad on liposome drug containing special gas for stroke treatment and expects to get substantial progress. We also explore the treatment to all kinds of difficult dermatology with helps from clinicians to develop several photodynamic drugs, some of which are under developed. The Group is also to launch a study with hematological clinicians to design drugs specially to treat bleeding caused by low platelet hemostatic, which has vast clinical significance in China due to the lack of component blood transfusion in clinical practices.

GENETIC TECHNICAL PLATFORM

We will pay constant attention to the ability on building genetic technical platform. We realized that gene technology in terms of 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 copied antibody drugs almost the same as the originator drugs successfully. Severe consistency of drug development we pursuing can help drugs launch for sale earlier (apply as similar biological drugs) and can transfer to the capability of antibody-drugs development. We are researching on the crosslinking technology of antibody-drug conjugate drugs, which would push this kind of key protein drugs entering into clinical research in China. Furthermore, the exploring research on the antibody designed for liver cancer based on metabolic mechanism which the scientists newly discovered, and on the antibody treatment of connective tissue disease is under progress. To keep the balance of development and meet the requirements of therapy in China, the Group will continue in making effort on pushing the projects which have entered into clinical trial. 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:

The clinical trial approval for high bio-activity recombinant human TNF receptor (重組親和力 TNF 受體) for the treatment of arthritis has been obtained in May 2014, and the project has entered into clinical trial phase I. 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 research and development projects of the Group.

A phase I clinical trial of PTH (重組人甲狀旁腺激素）for the treatment of osteoporosis has been completed. Clinical trial phase II application is estimated to be submitted on the second half of year 2015. 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. During the period under review, the project was elected in the 4th list of the 12th five-year Key New Drugs Creation for Key Science and Technology project and obtained national financial aid.

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 has been expanding the drugs development based on photodynamic technical platform. Photodynamic drugs will become the most important product pipeline of the Group. We will continue to exert its feature of "one drug, several indications" and becoming a new scalpel for clinical treatment so that according to the treatment principle of photodynamic drugs, we will design special therapy for some precancerous lesions which cannot be treated or intervened for the moment. The Group is commencing 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 is cooperating with other institutions to develop new laser and new LED photodynamic equipment. We will apply for the international registrations for the launched drugs, which will lay a foundation for the commercialization development of the Group. We believe that photodynamic drugs will become the first choice for the treatment of certain diseases based on the initial set up of photodynamic software and hardware repository and the Group's research and development experiences on photodynamic drugs over a long period of time. 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 the application to new indications of this drug is one of the key research and development projects of the Group.

Several years after it was 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. During the period under review, ALA(艾拉®) has been certified as state strategic innovative product under national key new product plan of Ministry of Science and Technology.

Aminolevulinic Acid Hydrochloride used for the treatment of CIN infected by HPV has entered into clinical trial phase II. Currently the cause of the disease is known but there is no effective intervention or therapy for it. Our

product will be the first therapy of precancerous lesion. New indications of adjuvant therapy with Aminolevulinic Acid Hydrochloride for brain gliomas and treatment for basal cell carcinoma are entering into pre-clinical study. Aminolevulinic Acid Hydrochloride used for the treatment of moderate and severe acne has submitted clinical trial application during the period under review.

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. The Group has obtained the New Drug Certificate issued by the State Food and Drug Administration and completed all the trial production and preparation work for sale. During the period under review, drug registration application has been submitted and it is required to further obtain the drug approval number and GMP Certificate. It is estimated to launch for sale in 2015.

During the period under review, the research and development projects of Aminolevulinic Acid Hydrochloride used for the treatment of CIN infected by HPV and clinical trial phase IV of Hemoporfin after launching for sale were elected as " research and development of key variety of photodynamic creative drugs " of the 12th five-year Key New Drugs Creation for Key Science and Technology Project and obtained national financial aid.

Duteroporphyrin (多替泊芬) for the treatment of tumors has entered into the clinical trial phase II.

NANO TECHNICAL PLATFORM

The Group will further develop new drugs based on the platform of preparation technology of nano drugs includes intravenous liposome nano drugs, oral Granular drug to improve bioavailability and slow-release drugs for skin health management. 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 a new doxorubicin formula which adopts the advanced stealth liposomal encapsulation technology and has passive targeting characteristics. It is a new generation of replacement for anthracycline drugs. In oncology, it has the advantages of enhancing efficacy and remarkably lowering the effects of cardiac toxicity, myelosuppression and hair-loss. Libod® is used for the treatment of AIDS-relating Kaposi's sarcoma, breast cancer and ovarian cancer. The Group has been registering in the United States ("U.S.") taking into account the tremendous market capacity of breast cancer and has obtained the approval from U.S. Food and Drug Administration ("FDA") for clinical research. The bioequivalence trial for the first patient started from September 2014. After the bioequivalence trial, the Company will be required to further obtain the verification of good quality management system of our production plant by FDA before the drug can be launched to the market.

Vincristine sulphate liposome (LVCR) for the treatment of malignant tumors has completed clinical trial phase I. The Group cautiously decided to transfer this project to a third party pharmaceutical company based on the consideration of its future prospect, production conditions and payback period, etc. During the period under review, the transfer agreement has been entered into execution stage.

Nanoparticle Albumin-bound Paclitaxel (紫杉醇白蛋白納米粒) for the treatment of tumors, has entered into pre-clinical study. During the period under review, the reform of existing production line for this project got under way.

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 report covered, the Group increased spending on diagnosis technique and reagent research, and planned to push the “rapid, quantitative detection system” as starting point of entering into clinical medical market, to develop the molecular diagnostic technique based on the technology of adapter body as technical reserves. This platform will focus on the specialized market of grassroots medical, obstetrics and neonatal unit, which can become the significant component of the industry layout of the Group in the area of diagnosis technology. We will make full use of the new technology in the fields with low barriers and low cost such as food safety inspection and animal disease inspection and then to introduce it into clinical application field with low risk when it is mature at the appropriate time, which is a new creative mode in vitro diagnostic reagents of the Group.

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 continues to explore and hope our efforts can provide useful help for the patients and be of value to investors. The Group will try to make the medium and long-term plans of research and development, which conforms to the development of the Group, but we will still face significant risks and challenges .

By the end of the year 2014, the major drugs under research and development 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, the transferee has obtained the letter of approval for drug registration
	Recombinant human lymphotoxin α-derivatives (LT)	Tumor	Clinical trial phase II completed; stopped moving forward; discuss new plan
	Recombinant human tumor necrosis recipient Fc fusion protein (Etanercept)	Arthritis	Domestic and overseas rights transferred respectively
	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	Clinical trial phase I
	PTH（重組人甲狀旁腺激素）	Osteoporosis	Clinical trial phase I Completed
	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	Applied for production approval and the certificate of GMP, plan to launch for sale in 2015
	Deuteroporphyrin （多替泊芬）	Tumors	Clinical trial phase II
	Aminolevulinic acid	Cervical diseases infected by HPV	Clinical trial phase II
	Aminolevulinic acid	Acne	Clinical trial application has been submitted
	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, Bioequivalency trial
	Vincristine sulphate liposome (LVCR)	Tumors	Clinical trial phase I completed, transferred to a third party pharmaceutical company

	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

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 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. This agreement renewed to the end of 2016 from 2013. During the year 2014, the agreement was enforced as stipulated and research and development work was performed in order. The transfer of Vincristine sulphate liposome was decided based on the agreement with Shanghai Pharmaceuticals.

COMMERCIALIZATION STRATEGY, REVIEW AND PROSPECTS

During the period under review, product sales revenue of the Group increased by 12% 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 launched to the market in 2008. As the first photodynamic drug in China, ALA can selectively spread and accumulate in condyloma acuminatum cells, and kill them together with specific wavelength light and energy, which does not result in adverse effects on surrounding normal tissues at the same time. Due to the feature of this kind of therapy, ALA also has effects on the treatment of subclinical infection and latent infection. Compared with previous average level, the therapy of ALA combined with photodynamic technology, filled in the blanks in the treatment of urethral orifice condyloma acuminate. In addition, our therapy has the advantages such as better tolerance of patient, higher safety, non-scar, lower adverse reaction and much lower recurrence rate comparing with traditional treatments. ALA has become one of the largest consumed skin-sure drugs. During the period under review, ALA has been certified as national strategic innovative product in national key new product plan of the Ministry of Science and Technology. The competition covered all kinds of industries and three projects in Shanghai were elected in 2014. ALA is one of them.

Eyan (易妍®), makeup product for the treatment of acne was launched for sale in the second half of 2010. The Group submitted the clinical trial application for the indication of moderate and severe acne. According to the strategic consideration, the sale of Eyan was suspended from the second half of the year.

Libod® (里葆多®) for the treatment of tumors, was launched for sale in August 2009 and it has brought favorable market response. Recently, it becomes the only Doxorubicin Hydrochloride Liposome Injection that successfully won the bid for becoming an admitted product for insured critical illness in Zhejiang Province with a term of two years commencing from 1 January 2015 to 1 January 2017. In order to increase the market promotion and sales of Libod, the Company signed the "Sole Agency Agreement" with NT Pharma (Jiangsu) Co., Ltd. ("NT Pharma") in February 2011 and granted it the exclusive distribution rights of Libod®. The agreement expired by the end of

February in 2015 and the Company entered into a new agency agreement with NT Pharma in March 2015. As compared with last year, its revenue increased by 25% in 2014. It is still expected to make big contribution to the sales revenue of the Group in future.

FuMeiDa (the proposed brand name of Hemoporfin), the first photodynamic drug for the treatment of Port Wine Stain, is a new drug with new target, new compound and new indication. The Group has obtained new drug certificate issued by China Food and Drug Administration and completed production trail. The Group is required to further obtain the drug approval number and pharmaceutical GMP certificate ("GMP Certificate") etc. before FuMeiDa can be launched to the market. It is estimated to be launched to market in 2015.

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 started to make preparation of applying for the certification of U.S. FDA 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 on Wechat integrated with academic exchange, clinical case sharing, standard practice video, Q&A between doctors and patients, etc. More than 13,000 dermatologists have joined photodynamic technology We-chat 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 Fudan-Zhangjiang Pharmaceutical Co., Ltd ("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 research and development to equal stress on both research and development and commercialization with a complete system featuring organic combination of research and development, product manufacturing and marketing. The Group is moving toward a virtuous stage of development.

By the end of the year 2014, the commercialized projects of the Group are summarized as follows:

Technical platform	Project name	Indications	Launching time
Photodynamic technique	ALA®	Condyloma acuminate	2007
	FuMeiDa®	Port wine stain	Estimated in 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

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 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:

	Number	
	Year 2014	Year 2013
Directors	3	3
Non-directors	4	4
	7	7

The emoluments fell within the following bands:

	Number	
	Year 2014	Year 2013
The emoluments range (HKD)		
1,000,000 – 1,500,000	1	1
1,500,000 – 2,000,000	5	5
2,500,000 – 3,000,000	1	1
	7	7

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DETAILS OF OPTIONS GRANTED BY THE COMPANY

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 and currently the Company does not have any share option scheme in force.

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

As at 31 December 2014, 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%

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2014, 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 maintained 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	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	23,639,000 (L)	Beneficial owner	Personal	6.95%	2.56%
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%

Note 1: The letter "L" stands for long position.

CONNECTED TRANSACTIONS

For the year ended 31 December 2014, the continuing connected transactions of the Company are set out as follows:

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 of the Company, 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 terms 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 Pharmaceuticals estimated that the proposed annual caps for the continuing connected transactions contemplated under the Sales and Distribution Agreement for the three years ending 31 December 2015 are approximately RMB 20 million, RMB 31 million and RMB 50 million, respectively, as approved at the annual general meeting held on 30 May 2013. This is a continuing connected transaction and discloseable transaction. During the year 2014, the product sales revenue to Shanghai Pharmaceutical Distribution was RMB 17,575,000, 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, the substantial shareholder of the Company, 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 Company's circular issued on 12 April 2013. The transaction was approved at the annual general meeting held on 30 May 2013. The proposed annual caps for the continuing connected transactions contemplated under the Strategic Cooperation Agreement for the three years ending 31 December 2016 were approximately RMB 33 million, RMB 31 million and RMB 20 million, respectively. This is a continuing connected transaction and disclosable transaction. During the year 2014, the Group received an advance of RMB 29,893,000 from Shanghai Pharmaceuticals for cooperation and development, which did not exceed the proposed annual cap approved at the annual general meeting held on 30 May 2013.

The Audit Committee and Independent Non-executive Directors have 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.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange on 24 March 2015.

None of these related party transactions constitutes a connected transaction that should be disclosed, except for the above 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 2014.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights in the articles of association of the Company or under the laws of the 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. Lam Yiu Kin, Mr. Chen Kai Xian and Mr. Shen Bo. Mr. Lam Yiu Kin 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 2014 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 2014 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. Ke Ying (Non-executive Director)
Mr. Shen Bo (Non-executive Director)
Ms. Yu Xiao Yang (Non-executive Director)
Mr. Zhou Zhong Hui (Independent Non-executive Director)
Mr. Lam Yiu Kin (Independent Non-executive Director)
Mr. Chen Kai Xian (Independent Non-executive Director)

Shanghai, the PRC

24 March 2015

** For identification purpose only*