上海復旦張江生物醫藥股份有限公司

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

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

(Stock code: 8231)

Annual Results Announcement
For the year ended 31 December 2011

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

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

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

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

The board of directors (the "Board") of the Company announces the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2011 as follows:

FINANCIAL DATA HIGHLIGHT

Results

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Turnover	**133,890**	92,390
Operating profit	**42,489**	6,932
Finance costs	**(4,862)**	(2,946)
Profit before income tax	**37,627**	3,986
Income tax expense	**(5,255)**	(2,801)
Profit for the year	**32,372**	1,185
Income attributable to shareholders of the Company	**30,826**	3,681
Non-controlling interests	**1,546**	(2,496)
Total comprehensive income for the year	**32,362**	1,185
Total comprehensive income attributable to shareholders of the Company	**30,819**	3,681
Non-controlling interests	**1,543**	(2,496)
Basic and diluted income per share for income attributable to the shareholders of the Company (RMB)	**0.0434**	0.0052

Assets and Liabilities

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Total assets	**358,881**	304,154
Total liabilities	**157,814**	135,449
	201,067	168,705
Capital and reserves attributable to shareholders of the Company	**170,062**	139,243
Non-controlling interests	**31,005**	29,462
	201,067	168,705

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

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

	Year ended 31 December	
	2011	**2010**
Turnover	133,890	92,390
Cost of sales	(23,034)	(18,700)
Gross profit	110,856	73,690
Other income	36,868	21,479
Research and development costs	(32,891)	(23,819)
Distribution and marketing costs	(54,596)	(52,646)
Administrative expenses	(17,371)	(11,124)
Other operating expenses	(377)	(648)
Operating profit	42,489	6,932
Finance costs	(4,862)	(2,946)
Profit before income tax	37,627	3,986
Income tax expense	(5,255)	(2,801)
Profit for the year	32,372	1,185
Other comprehensive income		
Available-for-sale investments	(10)	-
Total comprehensive income for the year	32,362	1,185
Profit / (Loss) attributable to:		
Shareholders of the Company	30,826	3,681
Non-controlling interests	1,546	(2,496)
	32,372	1,185
Total comprehensive income attributable to:		
Shareholders of the Company	30,819	3,681
Non-controlling interests	1,543	(2,496)
	32,362	1,185
Basic and diluted income per share for income attributable to the shareholders of the Company (RMB)	0.0434	0.0052

CONSOLIDATED BALANCE SHEET OF THE GROUP

AND BALANCE SHEET OF THE COMPANY

AS OF 31 DECEMBER 2011

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

	Group As of 31 December 2011	 2010	Company As of 31 December 2011	 2010
Non-current assets				
Leasehold land payments	34,920	35,710	4,179	4,285
Property, plant and equipment	111,968	83,591	47,061	44,448
Technical know-how	77	95	51	63
Deferred costs	5,857	4,131	2,976	4,131
Investments in subsidiaries	-	-	72,213	72,213
Investment in an associate	-	-	-	-
Deferred income tax assets	2,235	1,055	2,235	1,055
	155,057	124,582	128,715	126,195
Current assets				
Inventories	18,723	15,735	16,915	14,877
Trade receivables	57,966	43,486	56,789	43,005
Other receivables, deposits and prepayments	15,461	25,696	14,985	6,765
Available-for-sale investments	11	143	-	65
Amount due from a related party	1,594	4,207	1,471	4,207
Amounts due from a subsidiary	-	-	5,785	16,633
Cash and cash equivalents	110,069	90,305	61,237	39,358
	203,824	179,572	157,182	124,910
Total assets	358,881	304,154	285,897	251,105

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

AS OF 31 DECEMBER 2011

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

	Group		Company	
	As of 31 December		As of 31 December	
	2011	2010	2011	2010
Non-current liabilities				
Borrowings	40,000	6,660	-	6,660
Loans from government authorities	10,000	10,000	-	-
Deferred revenue	19,515	-	15,803	-
	69,515	16,660	15,803	6,660
Current liabilities				
Trade payables	5,357	1,145	4,771	795
Other payables and accruals	35,410	32,498	33,706	32,120
Deferred revenue	17,722	27,326	15,070	20,155
Loans from government authorities	1,650	32,650	1,650	22,650
Amount due to a shareholder	1,500	1,500	1,500	1,500
Amount due to a subsidiary	-	-	15,400	-
Borrowings	26,660	23,670	26,660	23,670
	88,299	118,789	98,757	100,890
Total liabilities	157,814	135,449	114,560	107,550
Capital and reserves attributable to shareholders of the Company				
Share capital	71,000	71,000	71,000	71,000
Reserves	99,062	68,243	100,337	72,555
	170,062	139,243	171,337	143,555
Non-controlling interests	31,005	29,462	-	-
Total equity	201,067	168,705	171,337	143,555
Total equity and liabilities	358,881	304,154	285,897	251,105
Net current assets	115,525	60,783	58,425	24,020
Total assets less current liabilities	270,582	185,365	187,140	150,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

1 BACKGROUND INFORMATION

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

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

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

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

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

As of 31 December 2011, the Company had direct interests of 100%, 65% and 69.77% in three subsidiaries, Shanghai Morgan-Tan International Center for Life Sciences, Co., Ltd. ("Morgan-Tan"), Shanghai Ba Dian Medicine Co., Ltd. ("Ba Dian") and Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), respectively.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

The following revised standard is mandatory for the first time for the financial year beginning 1 January 2011 and is relevant to the Group.

IAS 24 (Revised)	Related Party Disclosures

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

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

IFRS 9	Financial Instruments
IFRS 10	Consolidated financial statements
IFRS 12	Disclosures of interests in other entities
IFRS 13	Fair value measurement

There are no other standards or amendments to standards that are not yet effective that would be expected to have a material impact on the Group.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

3 TURNOVER

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

	2011	**2010**
Sales of medical products and the provision of related ancillary services	129,723	88,009
Exclusive rights	4,167	3,530
Technology transfer revenue	-	851
	133,890	92,390

On 18 April 2009, the Company signed a contract with a pharmaceutical company to grant the exclusive distribution rights of Doxorubicin Liposome Injection products for a period from the contract effective day to 31 December 2014, at a total consideration of RMB20, 000,000, of which an amount of RMB3, 530,000 is recognised as revenue in 2010. In February 2011, such contract was terminated and the unrecognized consideration of RMB 14,118,000 was returned to the distributer.

In March 2011, such exclusive distribution rights of Doxorubicin Liposome Injection products was granted to another pharmaceutical distribution company for a period from the contract effective day to 28 February 2015, at a total consideration of RMB 20,000,000, of which an amount of RMB 4,167,000 is recognised as revenue in 2011.

On 15 September 2003 and 10 March 2004, Morgan-Tan, a subsidiary of the Company, entered into technology transfer contracts with a pharmaceutical company in Shandong Province to transfer Mycophenolate Mofetil for a total consideration of RMB4,500,000, of which an amount of RMB800,000 was received and recognised as revenue in 2010 as Morgan-Tan completed respective milestones of transfer as specified in the contracts and economic benefits associated with the completion had flowed to Morgan-Tan.

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 RMB15,000,000, which was completed in 2007. In addition, pursuant to the contract, the Company is entitled to receive royalty payments from the pharmaceutical company equal to 2%-5% of the future gross annual sales over a period of the 5 years. The royalty payment of RMB 51,000 was received and recognised as revenue in 2010.

4 OPERATING PROFIT

Operating profit is arrived at after charging/(crediting) the following items:

	2011	2010
Amortisation of leasehold land payments	790	881
Less: amount capitalised in construction in progress	(663)	(684)
	127	197
Amortisation of deferred costs (included in 'Cost of sales')	1,470	1,434
Amortisation of technical know-how (included in 'Administrative expenses')	18	15
Auditors' remuneration	1,210	1,050
Provision for/(reversal of) for impairment of receivables	209	(168)
Inventories write-down	2,367	977
Cost of inventories sold	21,738	17,346
Depreciation of property, plant and equipment	5,209	5,394
Losses on disposal of property, plant and equipment	51	251
Operating lease rentals in respect of land and buildings	417	122
Research and development costs, excluding employee benefit expenses	22,138	15,261
Employee benefit expenses	38,493	31,623
Gain on disposal of a construction project	-	(4,662)
Gains on disposal of available-for-sale investments	(893)	(1,139)
Marketing and sales promotion	35,715	27,167

5 INCOME TAX EXPENSE

	2011	2010
Current income tax	6,285	-
Deferred tax (credit)/charge	(1,030)	2,801
	5,255	2,801

Effective from 1 January 2008, the Company and its subsidiaries shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China as approved by the National People's Congress on 16 March 2007. In 2009, the Company obtained an approval for a two-year full exemption of income tax from 2008 followed by a three-year 50% reduction. The effective tax rate of the Company is 12.5% in 2011 (2010: 12.5%). The effective tax rates of the subsidiaries are 25% in 2011 (2010: 25%).

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

	2011	2010
Profit before income tax	37,627	3,986
Tax calculated at a tax rate of 12.5%	4,703	598
Effect of unrecognised tax losses of the Group	131	1,576

Effect of tax exemption	-	344
Utilisation of previously unrecognised tax losses	-	(3,414)
Expenses not deductible for tax purpose	421	3,697
Tax charge	5,255	2,801

6 DIVIDENDS

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

At the shareholders' Annual General Meeting on 27 May 2011, it was resolved not to distribute any dividends in respect of the year ended 31 December 2010.

7 EARNINGS PER SHARE

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

	2011	**2010**
Earnings attributable to shareholders of the Company (RMB thousands)	30,826	3,681
Weighted average number of ordinary shares in issue (thousands)	710,000	710,000
Basic earnings) per share (RMB)	0.0434	0.0052

There is no difference between the basic and diluted earnings per share for the years ended 31 December 2011 and 2010 as there were no dilutive potential ordinary shares during the years then ended.

8 TRADE RECEIVABLES

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
Accounts receivables (Note(a))	51,331	37,811	50,154	37,330
Notes receivable (Note(b))	6,635	5,675	6,635	5,675
	57,966	43,486	56,789	43,005

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
Current to 30 days	35,668	27,437	34,848	27,277
31 days to 60 days	7,169	6,619	7,066	6,568
61 days to 90 days	7,117	577	6,999	541
Over 90 days but less than one year	1,688	3,330	1,546	3,096
Over one year	544	494	502	494
	52,186	38,457	50,961	37,976
Less: provision for impairment	(855)	(646)	(807)	(646)
	51,331	37,811	50,154	37,330

Customers are generally granted credit term of 90 days.

As of 31 December 2011 and as of 31 December 2010, the accounts receivables aging over one year were fully impaired.

As of 31 December 2011, accounts receivable of RMB 544,000 (2010: RMB 494,000) were individually impaired. The individually impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The other overdue receivables were assessed that a portion of these receivables is expected to be recovered. The ageing of these receivables is as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
Over 90 days but less than one year	1,688	3,330	1,546	3,096
Over one year	544	494	502	494
	2,232	3,824	2,048	3,590

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
At beginning of the year	646	820	646	820
Provision/(reversal of) for impairment of receivables	209	(168)	161	(168)
Receivables written off during the year as uncollectible	-	(6)	-	(6)
At end of the year	855	646	807	646

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

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

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

9 TRADE PAYABLES – GROUP AND COMPANY

Details of the aging analysis are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
Current to 30 days	3,985	272	3,399	257
31 days to 60 days	970	223	970	223
61 days to 90 days	35	205	35	70
Over 90 days but less than one year	214	36	214	36
Over one year	153	409	153	209
	5,357	1,145	4,771	795

Trade payables are unsecured and interest-free.

10 RESERVES

(i) The reserves of the Group attributable to shareholders of the Company for the years ended 31 December 2011 and 31 December 2010 are as follows:

	Capital accumulation reserve (Note a)	**Statutory common reserve fund** (Note b)	**Accumulated losses** (Note c)	**Total**
At 1 January 2010	211,367	2,829	(149,507)	64,689
Acquisition of non-controlling interests	(127)	-	-	(127)
Profit for the year 2010	-	-	3,681	3,681
At 31 December 2010	211,240	2,829	(145,826)	68,243
Profit for the year 2011	-	-	30,826	30,826
Fair value change on available-for-sale investments	(7)	-	-	(7)
At 31 December 2011	211,233	2,829	(115,000)	99,062

(ii) The reserves of the Company for the years ended 31 December 2011 and 31 December 2010 are as follows:

	Capital accumulation reserve (Note a)	Statutory common reserve fund (Note b)	Accumulated losses (Note c)	Total
At 1 January 2010	115,014	2,829	(56,946)	60,897
Profit for the year 2010	-	-	11,658	11,658
At 31 December 2010	115,014	2,829	(45,288)	72,555
Profit for the year 2011	-	-	27,782	27,782
At 31 December 2011	115,014	2,829	(17,506)	100,337

(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, there was no distributable reserve as of 31 December 2011 (2010: nil).

11 SEGMENTAL INFORMATION

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

	Year ended 31 December 2011			Year ended 31 December 2010		
	Research and development activities	Sales of medical products and the provision of related ancillary services	Total	Research and development activities	Sales of medical products and the provision of related ancillary services	Total
Turnover	-	133,890	133,890	800	91,590	92,390
Segment (loss)/profit	(2,654)	52,622	49,968	(11,133)	19,072	7,939
Unallocated income			1,769			6,647
Unallocated costs			(14,110)			(10,600)
Profit before income tax			37,627			3,986
Income tax expense			(5,255)			(2,801)
Profit for the year			32,372			1,185

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

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

	Research and development activities	Sales of medical products and the provision of related ancillary services	Unallocated activities	Total
31 December 2011				
Segment assets	26,117	209,565	123,199	358,881
Segment liabilities	(99,714)	(47,400)	(10,700)	(157,814)
Net	(73,597)	162,165	112,499	201,067
Other segment items				
Capital expenditure	1,893	29,915	1,180	32,988
Depreciation	2,391	801	2,017	5,209
Amortisation	47	951	1,280	2,278
Provision of impairment of receivables	-	209	-	209
Inventories write-down	-	2,367	-	2,367
Other non-cash expense:	-	-	51	51
31 December 2010				
Segment assets	27,352	155,449	121,351	304,152
Segment liabilities	(87,072)	(34,663)	(13,711)	(135,446)
Net	(59,720)	120,786	107,640	168,706
Other segment items				
Capital expenditure	1,509	10,480	3,113	15,102
Depreciation	3,391	563	1,440	5,394
Amortisation	-	1,436	894	2,330
Provision for impairment of receivables	-	(174)	-	(174)
Provision of inventories	-	977	-	977
Other non-cash expense:	(248)	(3,213)	(1,193)	(4,654)

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

TURNOVER

The Group's consolidated turnover for the year 2011 amounted to approximately RMB133,890,000, comparing to RMB92,390,000 for the year 2010, representing an increase of 45%.

The total turnover for the year ended 2011 came from the sale of medical products and the provision of related ancillary services and revenue recognized from exclusive distribution rights. The source of total turnover for the year ended 2010 was the same as that of this period of 2011.

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

Revenue of the Group from the sale of medical products and the provision of related ancillary services for the year 2011 was RMB129,723,000 (or 97% of the total turnover) , increased by 46% from that of last year which was RMB88,860,000. Sales of the new products, ALA and Libod, which the Group had launched to the market, have contributed significant revenue to the Group.

INCOME FROM EXCLUSIVE DISTRIBUTION RIGHTS

The Company signed "the Sole Agency Agreement" with China NT Pharma Group Company Limited in February 2011 and granted it the exclusive distribution rights of Libod®. The agreement replaced the previous exclusive distribution agreement with Nanjing Medical. The total consideration was RMB20,000,000, of which, amount of RMB4,167,000 (or 3% of the total turnover) is recognized as revenue in 2011. It was recognized of RMB3,530,000 for the year 2010 .

COST OF SALES

For the year 2011, cost of sales of the Group was RMB23,034,000, while the corresponding figure for 2010 was RMB18,700,000. The ratio of cost of sales to revenue from sale of products dropped to 18% from the level of 21% for last year. The deduction of costs mainly benefits from the strict cost control that the Group executed.

OPERATING PROFIT

For the year 2011, operating profit of the Group was RMB42,489,000, comparing to the operating profit RMB6,932,000 for the year 2010, representing an increase of 513%.

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

- Other income for the year 2011 was RMB36,868,000, compared with RMB21,479,000 for the year 2010, representing an increase of 72%. It mainly because the Group has recognized related income amounting RMB23,420,000 in year 2011 according to the Strategic Cooperation Agreement for innovative pharmaceuticals research and development signed with Shanghai Pharmaceuticals.

- R&D costs for the year 2011 was RMB32,891,000, compared with RMB23,819,000 for the year 2010, representing an increase of 38%.

- Distribution and marketing costs for the year 2011 was RMB54,596,000, compared with RMB52,646,000 for the year 2010, representing an increase of 4%. The ratio of distribution and marketing costs to revenue from sale of products decreased to 42% from the level of 60% for last year.

- Administration expenses for the year 2011 was RMB17,371,000, compared with RMB11,124,000 for the year 2010, representing a increase of 56%. It is mainly due to the increase of employee payroll expenses and impairment losses.

- Other operating expenses for the year 2011 was RMB377,000, compared with RMB648,000 for year 2010, representing a decrease of 42%.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

A profit attributable to shareholders of the Company of RMB30,826,000 was recorded in the consolidated financial statements for the year 2011, compared with profit of RMB3,681,000 for the year 2010.

SIGNIFICANT INVESTMENTS

For the year 2011, the Group did not have any significant investment.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the year 2011, the Group did not have any material acquisitions or disposals of subsidiaries and associated companies.

CONTINGENT LIABILITIES

As at 31 December 2011, the Directors were not aware of any material contingent liabilities.

CHARGE ON ASSETS

On 21 March 2011, the Group put its land use right in pledge to obtain a bank loan. The mortgaging period depends on the time to redemption of the loans.

BANKING FACILITIES

Aided by "Jiangsu Technology Results Transfer Project", a subsidiary of the Group, Taizhou Pharmaceutical, took a loan of RMB10,000,000 from government authority on 22 November 2011 which was due for repayment on 10 December 2013. The loan was unsecured.

On 13 September 2010 and 17 October 2011, the Group took two bank loans of RMB17,000,000 and RMB20,000,000, respectively. The former one has been paid on 12 September 2011. Redemption date for the later is October 2012.

On 21 March 2011, Taizhou Pharmaceutical, a subsidiary of the Company, took one long-term bank borrowing of RMB 40,000,000 and would be repaid on 20 March 2015, which bore an interest rate of 6.90% annually. The borrowing was secured by the leasehold land.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

As at 31 December 2011, the plant in Taizhou is under construction.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations and investing activities with internally generated financial resources, proceeds from the listing of the Company's shares on the Hong Kong GEM Board in August 2002, and interest-free and interest-subsidized commercial loans supported by the municipal government authorities. As at 31 December 2011, the Group had outstanding loans of RMB 78,310,000, of which RMB11,650,000 is unsecured, and RMB 66,660,000 is secured bank loans or guaranteed by a third party company.

As at 31 December 2011, the Group had cash and cash equivalents of approximately RMB110,069,000.

The Group's gearing ratio as at 31 December 2011 was 0.93 (31 December 2010: 0.97) which is calculated based on the Group's total liabilities of RMB157,814,000 (31 December 2010: RMB135,449,000) and capital and reserves attributable to shareholders of the Company of RMB170,062,000 (31 December 2010: RMB139,243,000).

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

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND SALARIES

As at 31 December 2011, the Group had a total of 316 employees, as compared to 255 employees as at 31 December 2010. Staff costs including directors' remuneration for the year 2011 were RMB38,493,000, compared with RMB31,623,000 for the year 2010. The salaries and benefits of employees of the Group are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees.

BUSINESS REVIEW

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

Research and Development

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

In the area of R&D, Clinical trial phase III for Hemoporfin (海姆泊芬), a photodynamic new drug for the treatment of Port Wine Stain has been completed, and application for the New Drug Certificate is under progress.

Pre-clinical study for ALA (鹽酸氨酮戊酸),a photodynamic new drug for the treatment of cervical diseases infected by HPV has been completed, and application for clinical study has been submitted.

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

Due to its technological risk, clinical trial phase II of the Group's Nifeviroc (尼非韋羅) which is focused on the treatment of AIDS has been ceased. The research of Nifeviroc for AIDS prevention is now under progress.

The Group has been taking the R&D of innovative drugs as its fundamental. By the end of year 2011, the major drugs under R&D are summarized as following:

Technical platform	Project name	Indications	Progress
Genetic Engineering Drugs	Recombinant tissue type plasminogen activator (r-tPA)	Heart infarction	Technology transferred, letter of approval for drug registration issued, royalty payment received
	Recombinant human lymphotoxin α-derivatives （rhLT）	Tumor	Clinical trial phase II
	Recombinant human tumor necrosis recipient Fc fusion protein (Etanercept)	Arthritis	Domestic and overseas rights transferred respectively, Clinical study completed, and rights of royalty retained
	rhTNFR***(m)***:Fc (High bio-activity recombinant human TNF receptor 2-Fc fusion protein mutant 高親和力重組人腫瘤壞死因子受體突變體-Fc 融合蛋白)	Arthritis	Application for clinical study has been submitted
Photodynamic therapy drugs	ALA (艾拉®，鹽酸氨酮戊酸)	Condyloma acuminata	Launched for sale, accredited as Shanghai Hi-Tech Achievement Transfer Project, also accredited as "State Hi-tech Development Project" by NDRC
	Eyan (易妍®，鹽酸氨酮戊酸)	Acne	Launched for sale as one kind of cosmetic products
	ALA (鹽酸氨酮戊酸)	cervical diseases infected by HPV	Application for clinical study has been submitted
	Hemoporfin （海姆泊芬）	Port wine stain	Application for the New Drug Certificate is under progress
	Deuteroporphyrin （多替泊芬）	Tumors	Clinical trial phase I
Liposome drugs	Libod® (里葆多® Doxorubicin liposome，鹽酸多柔比星脂質體)	Tumors	Launched for sale
	Vincristine Liposome (長春新堿脂質體)	Tumors	Clinical trial phase I
Others	Beixi（Down's Syndrome Antenatal	Down's Syndrome	Launched for sale, accredited as Shanghai Hi-Tech Achievement

	Screening Diagnostic Reagent，唐氏綜合征產前篩查試劑）		Transfer Project and National Torch Plan Project
	Nifeviroc (尼非韋羅)	AIDS	Research for AIDS prevention.

In February 2011, the Company has entered into a strategic cooperation agreement with Shanghai Pharmaceutical for the cooperation on innovative drug research and development. Both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages. Refer to the Announcement of the Company dated 23 February and the circular of the Company dated 8 April 2011 for more details. The cooperation will facilitate the pharmaceutical research and development of the Company so that the commercialization can be realized as soon as possible. As a continuing connected transaction, the cooperation agreement has been approved on the AGM held on 27 May 2011.

Intellectual Property Rights

The Group has been actively protecting its intellectual property rights (IPR) on its innovative medicines and research achievements. During the period under review, the Group applied for 1 invention patent, and has been granted 3 invention patents. By the end of year 2011, the Group has cumulatively applied for 58 invention patents, and has been granted 25 invention patents.

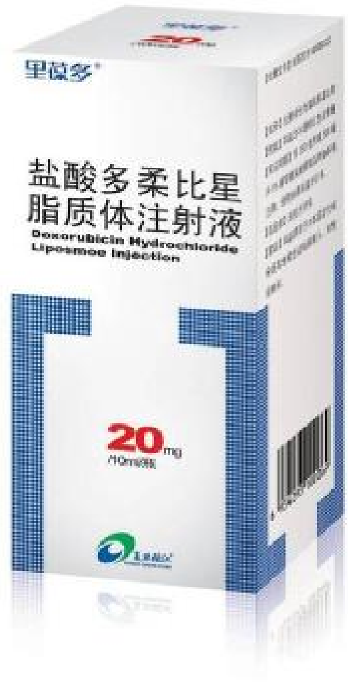
Commercialization

During the period under review, the Group obtained satisfactory results on commercialization. Product sales revenue increased by 45% compared with that of last year.

ALA (艾拉®) which is used for the treatment of dermal HPV infectious disease and proliferative disease as represented by condyloma acuminate, has attracted high level of attention from dermatologists all over the country since the launch for sale with a steady increase of sales volume and has become one of the largest consumed skin-cure drugs. Compared with last year, sales revenue of the product in 2011 increased 62%. It's expected that there will be a sustained and significant increase in the future.

Eyan (易妍®) for the treatment of acne, was launched for sale in September 2010.It's expected that its sales will increase gradually.

Libod® (里葆多®) for the treatment of tumors, was launched for sale in August 2009 and it brought the favorable market response. In year 2011, sales volume increased sharply and it is expected to make big contribution to the sales revenue of the Group in future. In order to enhance the marketing and sales of Libod®, the Group signed "the Sole Agency Agreement" with China NT Pharma Group Company Limited in February 2011 with the exclusive distribution rights of Libod® granted.



Grants and Awards

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

Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical") has obtained a financial aid of RMB 12 million from "Jiangsu Province Special Aid for the Transfer of R&D Achievements of Science and Technology", of which, RMB2 million is a non-repayable grant, and the rest RMB10 million is a low-interest loan, for a term of 3 years.

Key New Drugs Creation "Targeting Anti-tumor Innovative Drugs Incubation Base Construction" obtained more financial aid of National Special Grant for Key S&T Project.

The Group obtained a grant of RMB3, 500,000 from the Key National S&T Program, "Key New Drug Creation", for its Deuteroporphyrin (多替泊芬), a Photodynamic therapy drug for the treatment of tumors.

ALA (艾拉®) was recognized as"Shanghai New Patented Product". Libod® (里葆多®), has been certified as Shanghai Hi-tech Achievement Transfer Project.

FUTURE PROSPECTS

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

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

R&D

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

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

Genetic Engineering Drugs

In Year 2011, the Group completed pre-clinical study of rhTNFR***(m)***:Fc (High bio-activity recombinant human TNF receptor 2-Fc fusion protein mutant 高親和力重組人腫瘤壞死因子受體突變體-Fc融合蛋白） and applied for the clinical trial. The drug is used to treat self-immunological diseases, such as arthritis. The size of potential market is enormous. The Group holds independent IPR of the drug and applied for PCT patent. It will be one of the key R&D projects of the Group.

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

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

Photodynamic Drugs

New photodynamic drug for the treatment of condyloma acuminate, ALA (艾拉®) has been launched to the market. New indications, such as cervical diseases infected by HPV and acne, are under development. It is one of the key R&D projects of the Group. The Company has finished the pre-clinical study and applied to conduct clinical trials for the application of ALA in the new treatment of CIN infected by HPV.

The clinical trial phase III of the photodynamic drug for the treatment of port wine stain, hemoporfin (海姆泊芬), has been completed and application for the New Drug Certificate is under progress. The anti-tumor drug, duteroporphyrin (多替泊芬) has entered the clinical trial phase I. In addition, in order to exploit the photodynamic drugs deeply, the Company will make further research on new indications of ALA such as CIN and GLIOMA etc. Together with ALA, the Group has set up a unique bunch of photodynamic drugs with IPRs.

Nano - Drugs

Vincristine Liposome (長春新碱脂質體) to for the treatment of cancer has entered the clinical trial I. Further clinical study will be carried out. A large market share of the drug is expected. It is one of the key R&D projects of the Group.

In order to improve the capacity of research and development of nano-drugs and enrich the existing tumour drug product lines, besides continuing clinical trials of Vincristine Liposome (長春新碱脂質體), the Company plans to develop a new project of Nanoparticle Albumin-bound Paclitaxel.

Commercialization

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

Dermal disease drugs

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

In respect of dermatology & venereology, the photodynamic drug hemoporfin for the treatment of port wine stain will come up and application for the New Drug Certificate is under progress.

Tumor treatment drugs

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

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

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

Name of drugs	Indications	Estimated launching time*
ALA (艾拉®，鹽酸氨酮戊酸)	Condyloma acuminata	Launched
Libod® (Doxorubicin Liposome ,里葆多®，鹽酸多柔比星脂質體)	Tumors	Launched
Eyan (易妍®，鹽酸氨酮戊酸,a kind of cosmetic product)	Acne	Launched
Hemoporfin (海姆泊芬)	Port wine stain	2013
Vincristine Liposome (長春新碱脂質體)	Tumors	2015
lymphotoxin α-derivatives (淋巴毒素 α-衍生物)	Tumors	2016
ALA (鹽酸氨酮戊酸) (ALA-CIN)	CIN	2016
Duteroporphyrin 多替泊芬	Tumors	2016
Nanoparticle Albumin-bound Paclitaxel (紫杉醇白蛋白納米粒)	Tumors	2017
rhTNFR***(m)***:Fc (High bio-activity recombinant human TNF receptor 2-Fc fusion protein mutant 高活性重組人腫瘤壞死因子受體突變體-Fc 融合蛋白（rhTNFR*(m)*:Fc）	Autoimmunity	2017

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

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

In the area of commercialization, the Group has realized production and sales on diagnostic reagents, ALA, Eyan and Libod. The sales revenue for the year 2011 has made significant increase over last year. As more products are launched to the market, it is expected that the future sales revenue will be increasing extensively. The Group has successfully accomplished the transformation from purely R&D to equal stress on both R&D and commercialization with a complete system featuring organic combination of R&D, product manufacturing and marketing taken shape. The Group is moving toward a virtuous circle of development.

CORPORATE GOVERNANCE

The Board has reviewed its corporate governance documents and is of the view that such documents have incorporated most of the Principles and Code Provisions in the "Code of Corporate Governance Practice" of the Listing Rules of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Code"). 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 that the provisions as set out in the "Code":

- All members of the Audit Committee are Independent Non-executive Directors.

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

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

DIRECTOR'S AND SUPERVISORS' INTERESTS

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

The Group has not entered into any material contracts in which the Group's Directors, Supervisors have direct or indirect interests during any time in 2011.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

None of the Directors, chief executive or Supervisors or their spouse or children of age under 18 has been authorized by the Company or any subsidiary any right to purchase shares or debentures in the Company or any other body corporate, or have exercised such rights within 2011.

DETAILS OF OPTIONS GRANTED BY THE COMPANY

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

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

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

As at 31 December 2011, the interests (including interests in shares and / or short positions) of the Directors, Chief Executive and Supervisors and their respective associates in the shares or debentures of the Company and its associated corporations, if any, (a) as notified to the Company and the Stock Exchange pursuant to: Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"); or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

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

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2011, the persons other than a director, chief executive or supervisor of the Company who have interests and / or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO are listed as follows (the interests in shares and / or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Chief Executive and Supervisors):

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

CONNECTED TRANSACTIONS

For the year ended 31 December 2011, the connected transactions are mainly included as follow:

During year 2011, the product sales revenue to Shanghai Pharmaceutical Distribution Co., Ltd.("Shanghai Pharmaceutical Distribution"),the wholly-owned subsidiary of a major shareholder, Shanghai Pharmaceutical Holding Co., Ltd ("Shanghai Pharmaceutical"), was RMB7,764,000, which under the proposed annual cap approved in General Meeting. In February 2011, the Group entered into "the Sole Agency Agreement "with China NT Pharma Group Company Limited and would not sell Libod® to Shanghai Pharmaceutical Distribution directly, which might lead to significant difference in the next two years between the connected transaction revenue with Shanghai Pharmaceutical Distribution and the proposed annual cap approved in General Meeting.

During March 2010, the Company transferred the construction-in-progress project to a wholly-owned subsidiary of Shanghai Zhangjiang Hi-Tech Par Co. (first transfer), according to the Cooperation Framework Agreement. This is a connected and discloseable transaction. The Company made an announcement on 7 March 2009. The transaction was approved on the extraordinary general meeting (EGM) held on 27 May 2009. The second transfer is in the process as per Agreement, and would be completed when appropriate.

During February 2011, the Company has entered into a strategic cooperation agreement with Shanghai Pharmaceutical for the cooperation on innovative pharmaceutical research and development. Both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages. This is a connected and discloseable transaction. The Company made an announcement on 23 February 2011 and the transaction has been approved on the AGM held on 27 May 2011. The group recognized RMB23,420,000 in other income in 2011(2010:nil).

DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

Having made enquiries, all Directors, Supervisors and relevant employees have complied with the relevant requirements in 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2011.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

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

The Audit Committee reviews the accounting principles and practices adopted by the Group, as well as the listing rules and statutory compliance, and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group's annual results for 2011 before proposing to the Board for approval.

AUDITORS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

By Order of the Board
Wang Hai Bo
Chairman

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

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

Shanghai, the PRC

8 March 2012

* *For identification purpose only*

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