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 limited company incorporated in the People's Republic of China)

(Stock code: 8231)

Annual Results Announcement
For the year ended 31 December 2010

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.

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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 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

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

	Year ended 31 December	
	2010	**2009**
Turnover	92,390	61,905
Cost of sales	(18,700)	(16,185)
Gross profit	73,690	45,720
Other income	21,479	13,937
Research and development costs	(23,819)	(22,108)
Distribution and marketing costs	(52,646)	(30,483)
Administrative expenses	(11,124)	(11,848)
Other operating expenses	(648)	(268)
Operating income / (loss)	6,932	(5,050)
Finance costs	(2,946)	(2,545)
Income / (Loss) before income tax	3,986	(7,595)
Income tax expense	(2,801)	(879)
Income / (Loss) for the year	1,185	(8,474)
Other comprehensive income		
Available-for-sale investments	-	959
Total comprehensive income / (loss) for the year	1,185	(7,515)
Income / (Loss) attributable to:		
Shareholders of the Company	3,681	(7,320)
Non-controlling interests	(2,496)	(1,154)
	1,185	(8,474)
Total comprehensive income / (loss) attributable to:		
Shareholders of the Company	3,681	(6,438)
Non-controlling interests	(2,496)	(1,077)
	1,185	(7,515)
Basic and diluted income / (loss) per share for income / (loss) attributable to the shareholders of the Company (RMB)	0.0052	(0.0103)

CONSOLIDATED BALANCE SHEET OF THE GROUP

AND BALANCE SHEET OF THE COMPANY

AS OF 31 DECEMBER 2010

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

	Group		Company	
	As of 31 December		As of 31 December	
	2010	2009	2010	2009
Non-current assets				
Leasehold land payments	35,710	42,799	4,285	10,690
Property, plant and equipment	83,591	74,334	44,448	46,957
Prepayment for construction	-	27,652	-	-
Technical know-how	95	110	63	74
Deferred costs	4,131	5,565	4,131	5,565
Investments in subsidiaries	-	-	72,213	71,365
Investment in an associate	-	-	-	-
Available-for-sale investments	-	129	-	42
Deferred income tax assets	1,055	3,856	1,055	3,856
	124,582	154,445	126,195	138,549
Current assets				
Inventories	15,735	14,625	14,877	14,625
Trade receivables	43,486	26,929	43,005	26,929
Other receivables, deposits and prepayments	25,696	1,028	6,765	806
Available-for-sale investments	143	-	65	-
Assets held-for-sale	-	14,906	-	14,906
Amount due from a shareholder	4,207	-	4,207	-
Amounts due from subsidiaries	-	-	16,633	6,802
Cash and cash equivalents	90,305	86,898	39,358	44,544
	179,572	144,386	124,910	108,612
Total assets	304,154	298,831	251,105	247,161

CONSOLIDATED BALANCE SHEET OF THE GROUP

AND BALANCE SHEET OF THE COMPANY (CONTINUED)

AS OF 31 DECEMBER 2010

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

	Group		Company	
	As of 31 December		As of 31 December	
	2010	2009	2010	2009
Non-current liabilities				
Borrowings	6,660	13,330	6,660	13,330
Loans from government authorities	10,000	31,000	-	21,000
Deferred revenue	-	14,118	-	14,118
	16,660	58,448	6,660	48,448
Current liabilities				
Trade payables	1,145	1,342	795	1,141
Other payables and accruals	32,498	22,576	32,120	22,152
Deferred revenue	27,326	11,703	20,155	7,129
Loans from government authorities	32,650	1,650	22,650	1,650
Amount due to a shareholder	1,500	1,500	1,500	1,500
Amount due to a related party	-	14,574	-	14,574
Borrowings	23,670	18,670	23,670	18,670
	118,789	72,015	100,890	66,816
Total liabilities	135,449	130,463	107,550	115,264
Capital and reserves attributable to shareholders of the Company				
Share capital	71,000	71,000	71,000	71,000
Reserves	68,243	64,689	72,555	60,897
	139,243	135,689	143,555	131,897
Non-controlling interests	29,462	32,679	-	-
Total equity	168,705	168,368	143,555	131,897
Total equity and liabilities	304,154	298,831	251,105	247,161
Net current assets	60,783	72,371	24,020	41,796
Total assets less current liabilities	185,365	226,816	150,215	180,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

(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 2010, 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 new standards, amendments to standards and interpretations are mandatory for accounting periods on or after 1 January 2010.

IAS 27 (Revised)	Consolidated and separate financial statements
IAS 39 (Amendment)	Eligible hedge items
IFRS 1 (Revised)	First-time adoption of IFRSs
IFRS 1 (Amendment)	Additional exemptions for first-time adopters
IFRS 2 (Amendment)	Group cash-settled share-based payment transaction
IFRS 3 (Revised)	Business combinations
IFRIC 17	Distribution of non-cash assets to owners

The adoption of the above new standards, amendments to standards and interpretations did not have any significant impacts to the Group.

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

IAS 24 (Revised)	Related party disclosures
IAS 32 (Amendment)	Classification of rights issue
Amendment to IFRS 1	Limited exemption from comparative IFRS 7 disclosures for first-time adopters
IFRS 9	Financial Instruments
Amendment to IFRIC 14	Prepayments of a minimum funding requirement
IFRIC 19	Extinguishing financial liabilities with equity instruments

(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:

	2010	**2009**
Sales of medical products and the provision of related ancillary services	88,009	57,455
Exclusive rights	3,530	2,352
Technology transfer revenue	851	2,098
	92,390	61,905

On 18 April 2009, the Company signed a contract with a pharmaceutical company to offer the exclusive distribution rights of Doxorubicin Liposome Injection products from the contract effective day to 31 December 2014, for a total consideration of RMB20,000,000, of which an amount of RMB3,530,000 is recognised as revenue in 2010 (2009: RMB2,352,000). In February 2011, the Company terminated the aforementioned contract, the remaining balance of RMB 14,118,000 will be repaid to the customer.

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 (2009: nil).

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. 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 RMB51,000 was received and recognised as revenue in 2010 (2009: RMB98,000).

On 20 March 2004, the Company signed a technology transfer contract with a Taiwanese pharmaceutical company to transfer Recombinant Human Soluble TNFR 75 Fusion Protein for a total consideration of RMB7,500,000, no amount has been received in 2010 (2009: RMB2,000,000) as specified in the contract. Pursuant to the contract, the Company is entitled to receive royalty payments from the Taiwanese pharmaceutical company equal to 6% of the future gross annual sales from the technology transferred. However, it is estimated that the Company will not receive any significant royalty payments in the near future as the related production has not commenced.

4 OPERATING LOSS

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

	2010	**2009**
Amortisation of leasehold land payments	881	299
Less: amount capitalised in construction in progress	(684)	(57)
	197	242
Amortisation of deferred costs (included in 'Cost of sales')	1,434	1,697
Amortisation of technical know-how (included in 'Research and development costs')	-	143
Amortisation of technical know-how (included in 'Administrative expenses')	15	18
	15	161
Auditors' remuneration	1,050	1,021
Reversal of for impairment of receivables	(168)	(109)
Write-down of inventories	977	886
Cost of inventories sold	17,346	15,324
Depreciation of property, plant and equipment	5,394	5,142
Losses/(Gains) on disposal of property, plant and equipment	251	(3)
Operating lease rentals in respect of land and buildings	122	396
Research and development costs, excluding employee benefit expenses	15,261	14,353
Employee benefit expenses	31,623	25,146
Gains on disposal of available-for-sale investments	(1,139)	(1,524)
Marketing and sales promotion	27,167	16,431

5 INCOME TAX EXPENSE

	2010	**2009**
Current income tax	-	-
Deferred tax charge	2,801	879
	2,801	879

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 (the "new CIT Law") as approved by the National People's Congress on 16 March 2007.

Under the new CIT Law, as the Company was certified as a New and High Technology Enterprise, it is entitled to a reduced income tax rate of 15%. In 2010, the Company obtained an approval for a two-year full exemption of income tax from 2008 followed by a three-year 50% reduction.

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

	2010	**2009**
Profit/(Loss) before income tax	3,986	(7,595)
Tax calculated at a tax rate of 15%	598	(1,139)
Effect of unrecognised tax losses of the Group	1,576	1,596
Effect of tax exemption	344	1,070
Utilisation of previously unrecognised tax losses	(3,414)	(2,820)
Expenses not deductible for tax purpose	3,697	2,172
Tax charge	2,801	879

The tax credit relating to components of other comprehensive income is as follows:

	2010			**2009**		
	Before tax	**Tax charge**	**After tax**	**Before tax**	**Tax charge**	**After tax**
Fair value losses transfer from equity:						
− Available-for-sale investment	-	-	-	959	-	959
Other comprehensive income	-	-	-	959	-	959

6 DIVIDENDS

At the meeting on 24 March 2011, the Board of Directors recommended not to distribute any dividends in respect of the year ended 31 December 2010.

At the shareholders' Annual General Meeting on 11 June 2010, it was resolved not to distribute any dividends in respect of the year ended 31 December 2009.

7 EARNINGS / (LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Earnings/(Loss) attributable to shareholders of the Company (RMB thousands)	3,681	(7,320)
Weighted average number of ordinary shares in issue (thousands)	710,000	710,000
Basic earnings/(loss) per share (RMB)	0.0052	(0.0103)

There is no difference between the basic and diluted earnings/(loss) per share for the years ended 31 December 2010 and 2009 as there were no dilutive potential ordinary shares during the years then ended.

8 TRADE RECEIVABLES – GROUP AND COMPANY

	2010	2009
Accounts receivables (Note(a))	37,811	26,904
Notes receivable (Note(b))	5,675	25
	43,486	26,929

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

	2010	2009
Current to 30 days	27,437	10,059
31 days to 60 days	6,619	7,176
61 days to 90 days	577	3,518
Over 90 days but less than one year	3,330	6,424
Over one year	494	547
	38,457	27,724
Less: provision for impairment	(646)	(820)
	37,811	26,904

Customers are generally granted credit term of 90 days.

As of 31 December 2010 and as of 31 December 2009, the accounts receivables aging over one year were fully impaired.

As of 31 December 2010, accounts receivable of RMB494,000 (2009: RMB547,000) 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:

	2010	2009
Over 90 days but less than one year	3,330	6,424
Over one year	494	547
	3,824	6,971

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

	2010	2009
At beginning of the year	820	2,192
Reversal of for impairment of receivables	(168)	(109)
Receivables written off during the year as uncollectible	(6)	(1,263)
At end of the year	646	820

The creation and release of provision for impaired receivables have been included in 'Administrative expenses' in the statement of comprehensive income (Note 6). 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 have been fully settled after the year end.

9 TRADE PAYABLES

Details of the aging analysis are as follows:

	Group		Company	
	2010	2009	2010	2009
Current to 30 days	272	636	257	636
31 days to 60 days	223	146	223	146
61 days to 90 days	205	62	70	62
Over 90 days but less than one year	36	165	36	166
Over one year	409	333	209	131
	1,145	1,342	795	1,141

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 2010 and 31 December 2009 are as follows:

	Capital accumulation reserve (Note a)	**Statutory common reserve fund** (Note b)	**Accumulated losses** (Note c)	**Total**
At 1 January 2009	141,945	2,829	(142,187)	2,587
Capital contribution to a subsidiary by Non-controlling interests	68,540	-	-	68,540
Unrealised loss on available-for-sales investments	882	-	-	882
Loss for the year 2009	-	-	(7,320)	(7,320)
At 31 December 2009	211,367	2,829	(149,507)	64,689
Acquisition of non-controlling interests (Note d)	(127)	-	-	(127)
Profit for the year 2010	-	-	3,681	3,681
At 31 December 2010	211,240	2,829	(145,826)	68,243

(ii) The reserves of the Company for the years ended 31 December 2010 and 31 December 2009 are as follows:

	Capital accumulation reserve (Note a)	**Statutory common reserve fund** (Note b)	**Accumulated losses** (Note c)	**Total**
At 1 January 2009	114,901	2,829	(57,039)	60,691
Unrealised loss on available-for-sales investments	113	-	-	113
Loss for the year 2009	-	-	93	93
At 31 December 2009	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

(a) Capital accumulation reserve includes share premium arising from the issue of shares at a price in excess of their par value and changes in the fair value of available-for-sale investment. 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 2010 (2009: nil).

(d) Pursuant to a capital increase agreement, a third party company Taizhou Huaxin Pharmaceutical Investment Co., Ltd. invested RMB100,000,000 to subscribe for RMB20,000,000 registered capital of Taizhou Pharmaceutical, representing 23.26% of the equity interest of Taizhou Pharmaceutical as enlarged by the capital increase as of 24 December 2009. The total consideration was paid by the appraised land use rights of RMB31,184,000 and remaining amount of cash RMB68,816,000. Following this capital injection, the registered capital of Taizhou Pharmaceutical was increased from RMB66,000,000 to RMB86,000,000, and the Company's interest in Taizhou Pharmaceutical was reduced from 90.9% to 69.77%. After the completion of the registered capital increase, the Group recognised RMB68,540,000 in the capital accumulation reserve.

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 2010			**Year ended 31 December 2009**		
	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	800	91,590	92,390	2,098	59,807	61,905
Segment (loss)/profit	(11,133)	19,072	7,939	(10,836)	12,174	1,338
Unallocated income			6,647			2,218
Unallocated costs			(10,600)			(11,151)
Profit/(Loss) before income tax			3,986			(7,595)
Income tax expense			(2,801)			(879)
Profit/(Loss) for the year			1,185			(8,474)

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 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	10,479	3,113	15,102
Depreciation	3,391	562	1,440	5,394
Amortisation	-	1,436	894	2,330
Reversal of impairment of receivables	-	(174)	-	(174)
Write-down of inventories	-	977	-	977
Other non-cash incomes	(248)	(3,213)	(1,193)	(4,654)
31 December 2009				
Segment assets	21,326	158,640	118,865	298,831
Segment liabilities	(73,709)	(35,875)	(20,879)	(130,463)
Net	(52,383)	122,765	97,986	168,368
Other segment items				
Capital expenditure	131	53,789	7,688	61,608
Depreciation	3,086	1,091	965	5,142
Amortisation	143	1,756	258	2,157
Provision for impairment of receivables	-	(109)	-	(109)
Write-down of inventories	-	886	-	886
Other non-cash expenses	-	-	(3)	(3)

Note: Unallocated activities mainly represent the holding of cash and bank deposits and available-for-sale investments and the development of a construction project 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 2010 amounted to approximately RMB92,390,000, comparing to RMB61,905,000 for the year 2009, representing an increase of 49%.

During the year 2010, approximately RMB851,000 (or 1% of the total turnover) was derived from the income of technology transfer, and the rest of approximately RMB91,539,000 (or 99% of the total turnover) came from the sale of medical products and income from exclusive distribution rights. In contrast, approximately RMB2,098,000 (or 3% of the total turnover) was derived from the income of technology transfer, and the rest of approximately RMB59,807,000 (or 97% of the total turnover) came from the sale of medical products and income from exclusive distribution rights for the year 2009.

REVENUE FROM TECHNOLOGY TRANSFER

Income recognized from technology transfer for the year 2010 was approximately RMB 851,000. Of which, RMB800,000 is the last receivable for a technology which was transferred to a pharmaceutical company in Shandong Province in 2003 from one subsidiary of the Gorup. The remaining balance is a royalty payment received at a certain percentage of revenue that came from a technology which was transferred to a pharmaceutical company in Shandong Province in 2002, as stipulated by the relevant technology transfer contract.

REVENUE FROM SALE OF MEDICAL PRODUCTS

Revenue of the Group from the sale of medical products for the year 2010 was RMB88,010,000, increased by 53% from that of last year which was RMB57,455,000. 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

On 18 April 2009, the Company entered into a contract with Nanjing Medical to offer the exclusive distribution rights of Libod from the contract effective day to 31 December 2014, for a total consideration of RMB20,000,000, of which, amount of RMB3,529,000 is recognized as revenue in 2010. It was recognized of RMB2,352,000 for the year 2009 .

COST OF SALES

For the year 2010, cost of sales of the Group was RMB18,700,000, while the corresponding figure for 2009 was RMB16,185,000. The ratio of cost of sales to revenue from sale of products dropped to 21% from the level of 28% for last year. The deduction of costs mainly benefits from the strict cost control that the Group executed.

OPERATING LOSS

For the year 2010, operating income of the Group was RMB6,932,000, comparing to the operating loss RMB5,050,000 for the year 2009.

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

- R&D costs for the year 2010 was RMB23,819,000, compared with RMB22,108,000 for the year 2009, representing an increase of 8%.

- Distribution and marketing costs for the year 2010 was RMB52,646,000, compared with RMB30,483,000 for the year 2009, representing an increase of 73%. The ratio of distribution and marketing costs to revenue from sale of products increased to 60% from the level of 53% for last year. The increase mainly due that our products are now in the introduction period.

- Administration expenses for the year 2010 was RMB11,124,000, compared with RMB11,848,000 for the year 2009, representing a decrease of 6%.

- Other operating expenses for the year 2010 was RMB648,000, compared with RMB268,000 for year 2009, representing a increase of 242%.

- Other income for the year 2010 was RMB21,479,000, compared with RMB13,937,000 for the year 2009, representing an increase of 154%, mainly because the Group has recognized more income from government grants on R&D projects and during March 2010, the Company transferred the construction-in-progress project to a wholly-owned subsidiary of Shanghai Zhangjiang Hi-Tech Par Co., The first transfer as stipulated by the contract has been completed and the transfer income was about RMB4,662,000.

LOSS / PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

A profit attributable to shareholders of the Company of RMB3,681,000 was recorded in the consolidated financial statements for the year 2010, compared with a loss of RMB7,320,000 for the year 2009.

For the year 2010, the profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of RMB11,658,000 (2009: profit of RMB93,000).

SIGNIFICANT INVESTMENTS

For the year 2010, the Group did not have any significant investment.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 15 January 2010, the Company entered into a share transfer agreement with its shareholder Shanghai Zhangjiang (Group) Co., Ltd. To acquire all its 31.25% interests in the Company's subsidiary Morgan Tan International Center for Life Science (‘Morgan Tan”) .The consideration is RMB 848,000. After the acquisition, Morgan Tan became a wholly owned subsidiary of the Company.

CONTINGENT LIABILITIES

As at 31 December 2010, the Directors were not aware of any material contingent liabilities.

CHARGE ON ASSETS

On 1 March 2006 and 6 July 2007, the Group put its leasehold land, plant and machinery in pledge to obtain a loan granted by “Technology and Education Promoting Shanghai” project. The mortgaging period depends on the time to redeem the loans.

On 23 October 2009, the Group put its real estate property in pledge to obtain a bank loan. The mortgaging period depends on the time to redemption of the loans.

BANKING FACILITIES

Aided by the “Technology and Education Promoting Shanghai” project, the Group took a loan of RMB11,000,000 and a loan of RMB10,000,000 on 1 March 2006 and 6 July 2007, respectively. Both of the two loans are due for repayment on 31 December 2011. According to the loan contract, certain interest has to be paid if the loan is repaid between 1 January 2011 and 31 December 2011.

Aided by "Jiangsu Technology Results Transfer Project", a subsidiary of the Group, Taizhou Pharmaceutical, took two loans of RMB20,000,000 totally from government authority on 28 February 2009 and 10 December 2010 which are due for repayment on 27 May 2011 and 10 December 2013,respectively. The loans are unsecured.

On 23 October 2009 and 13 September 2010, the Group took two bank loans of RMB20,000,000 and RMB17,000,000, respectively. The former is to be repaid within three years on an equal amount basis, with the due dates being 22 October 2010, 2011 and 2012, respectively. The first repayment has been paid on 22 October 2010. Redemption date for the later is 12 September 2011.

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 2010, 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 2010, the Group had outstanding loans of RMB 72,980,000, of which RMB21,650,000 is unsecured, and RMB 51,330,000 is secured bank loans or guaranteed by a third party company.

As at 31 December 2010, the Group had cash and cash equivalents of approximately RMB90,305,000.

The Group's gearing ratio as at 31 December 2010 was 0.97 (31 December 2009: 0.96) which is calculated based on the Group's total liabilities of RMB135,449,000 (31 December 2009: RMB130,463,000) and capital and reserves attributable to shareholders of the Company of RMB139,243,000 (31 December 2009: RMB135,689,000).

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 2010, the Group had a total of 255 employees, as compared to 212 employees as at 31 December 2009. Staff costs including directors' remuneration for the year 2010 were RMB31,623,000, compared with RMB25,146,000 for the year 2009. 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". Our foundation is the technology of genetic engineering, drug delivery and photodynamic drug development. Our core position would be R&D of drugs with patents and commercialization of drugs specific for the Chinese market as.

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 is about to be submitted.

In Year 2010,the Group continued to perform some 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, and application for clinical study is about to be submitted. Application for a PCT patent for the project has been made.

The Group's Nifeviroc (尼非韋羅) for the treatment of AIDS is in the process of clinical trial phase II.

The Group has been taking the R&D of innovative drugs as its fundamental. By the end of year 2010, the progress of R&D on the major drugs is summarized as following:

Technical platform	**Project name**	**Indications**	**Progress**
Genetic Engineering Drugs	Recombinant tissue type plasminogen activator (r-tPA)	Heart infarction	Technique transferred, 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 is about to be submitted
Photodynamic therapy drugs	ALA® (艾拉®，鹽酸氨酮戊酸)	Condyloma acuminata	Launched for sale, accredited as Shanghai Hi-Tech Result 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 is about to be submitted
	Hemoporfin (海姆泊芬)	Port wine stain	Clinical trial phase III completed and application for the New Drug Certificate is under progress
	Duteroporphyrin (多替泊芬)	Tumors	Approved to enter into clinical study
Liposome	Libod® (裡葆多® Doxorubicin	Tumors	Launched for sale

drugs	liposome, 鹽酸多柔比星脂質體)		
	Vincristine Liposome (長春新鹼脂質體)	Tumors	Approved to enter into clinical study
Others	Beixi®(Down's Syndrome Antenatal Screening Diagnostic Reagent,唐氏綜合征產前篩查試劑)	Down's Syndrome	Launched for sale, accredited as Shanghai Hi-Tech Transfer Project and National Torch Plan Project
	Nifeviroc (尼非韋羅)	AIDS	Clinical trial phase II

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. Refer to the Announcement of the Company dated 23 February 2011 for more details. The cooperation will make significant progress on the pharmaceutical research and development so that the commercialization can be realized as soon as possible.

Intellectual Property Rights

The Group has been actively protecting its intellectual property rights (IPR) on its innovative medicines and research results. During the period under review, the Group applied for 1 invention patents, and granted 1 invention patents. In addition, one PCT has been applied in several countries. By the end of year 2010, the Group applied for 57 invention patents in aggregate, and obtained 22 invention patents.

Commercialization

During the period under review, the Group made satisfactory results on commercialization. Revenue from product sales increased by 53% 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. Sales revenue of the product has been increasingly steadily. The product has become one of the largest consumed skin-cure drugs. Sales revenue of the product in 2010 is about doubled over last year. It's expected that there will be more significant increase in the future.

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

Libod® (里葆多®) for the treatment of tumors, launched for sale in August 2009. The Group signed an exclusive distribution agreement with Nanjing Medical Co., Ltd. ("Nanjing Medical") in April 2009, to offer the exclusive distribution rights of the product to Nanjing Medical for the coming five years. Nanjing Medical made a payment of RMB 20,000,000 to the Group in July 2009 as the consideration of the distribution rights. Though the product was listed in market for a short time, the favorable market response was obvious. In year 2010, bids for admission have been completed in several provinces. The bigger contribution to the sales revenue for the Group is expected in future. In order to enhance the marketing capability and increase the sales of Libod®, the Group signed "the Sole Agency Agreement "with China NT Pharma Group Company Limited in February 2011, which replaced the exclusive distribution agreement with Nanjing Medical.

Grants and Awards

The Group has always been complying with the industrial policies of the State and improving its capacity of developing new drugs. 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 Results of Science and Technology", of which, RMB2 million is a non-repayable grant, and the other RMB10 million is a low-interest loan, for a term of 3 years.

Grants of RMB 5,000,000 in total have been offered to the new drug Nifeviroc (尼非韋羅) for the treatment of AIDS for its clinical study by The Ministry of Science and Technology of the PRC and the Science and Technology Committee of Shanghai Municipality.

Libod® (里葆多®), has been certified as Shanghai Hi-tech Result Transfer Project.

FUTURE PROSPECTS

The Group has been taking the innovative R&D of new drugs as its core positioning since its establishment, and has attained certain achievements. The published"Summary of the State Medium-long-term Scientific and Technology Development Plan (year 2006 - 2020)" has confirmed the direction of China's special way of self innovation, and has also affirmed to support those enterprises encouraged to become technologically innovative bodies. It calls for creating further conditions, optimizing environment, deepening reforms, and truly strengthening the dynamics and motives of enterprise technological innovation. Within this broad environment, the Group will certainly obtain more and better development opportunities.

After more than a decade of R&D for new drugs, the Group has a large number of projects which are at the crucial time of being commercialized. Therefore, the Group is now undergoing the process of conversion from a pure R&D body to a combination of R&D and commercialization. In the future, the Group will collect its resources in both aspects of 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 cooperative relationships with 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. All are regarded as the reputable domestic institutions. At the same time, the Group also made further collaboration with other international and domestic R&D institutes. In the future, the Group will continue to devote efforts to the R&D of projects with proprietary intellectual property rights.

R&D of the Group will still be focused on genetic engineering drugs, photodynamic drugs, and liposome drugs. 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 2010,the Group continued to perform some 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 the application for the clinical trial will be submitted soon. The drug is used to treat self-immunological diseases, such as arthritis. The market size is enormous. The product holds an IPR and its PCT has been applied. It is one of the key R&D projects of the Group

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

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 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 clinical trial permission for the anti-tumor drug, duteroporphyrin (多替泊芬) was issued. Together with ALA, the Group has set up a unique bunch of photodynamic drugs with IPRs.

Liposome Drugs

Vincristine Liposome (長春新鹼脂質體) to for the treatment of cancer has been permitted for clinical trial. 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.

Commercialization

To keep in line with the key direction of R&D, the Group has gradually enhanced commercialization of the drugs for the treatment of dermal diseases and tumors from year 2007. The Group has arranged relevant drug product lines on both directions, and will steadily launch the products to the market by stages in the next few years, so as to form a product series package on the following 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 been granted for launch for sales. 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. According to the estimations of WHO in 2005, there were actually 16 million to 20 million new venereal disease cases in China every year, while the number of new patients suffering condyloma acuminata was expected to be 3 million to 6 million every year. 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 revenue of the sales of the drug will still increased extensively and continuously.

The following hemoporfin will be commercialized to treat port wine stain 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 2010. 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, which has become No. 1 disease in female tumor morbidity. According to the estimations of WHO, in year 2005, there were approximately 7.6 million people died due to various cancers in the world. 500,000 people died due to breast cancer. According to the estimations, there are approximately 200,000 new cases of breast cancer in the PRC every year. The market capacity of the drug is tremendous. It is estimated that more revenue will be gained 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). Approval of clinical study has been issued for Vincristine Liposome Injection for the treatment of malignant tumors, while lymphotoxin α-derivatives (淋巴毒素 α-衍生物) for the treatment of tumors have entered into the phase II of the clinical study.

The estimated schedule for the launching the drugs in the next few years is as following:

Name of drugs	Indications	Estimated launching time*
ALA® (,艾拉®，鹽酸氨酮戊酸)	Condyloma acuminata	Launched
Libod® (Doxorubicin Liposome ,裡葆多®，鹽酸多柔比星脂質體)	Tumors	Launched
Eyan (易妍®，鹽酸氨酮戊酸,a kind of cosmetic product)	Port wine stain	2013
Hemoporfin (海姆泊芬)	Tumors	2015
Vincristine Liposome (長春新鹼脂質體)	Tumors	2016

* *The estimated 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. More production lines will be invested and constructed in Taizhou Pharmaceutical in the next several years so as to turn it into the main 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 2010 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 a pure R&D body to a combination of R&D and commercialization. An intact system of R&D, production, sales and marketing combined orderly has been formed. The Group will be able to progress to a better development stage.

CORPORATE GOVERNANCE PRACTICE

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.

RIGHT OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS IN PURCHASING 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 2010.

DIRECTORS' 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 2010.

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.

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 2010, 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 2010, 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 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 2010, the connected transactions are mainly included as follow:

During year 2010, 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 RMB6,417,000, 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.

31.25% of the shares of Morgan Tan, which were originally held by Zhangjiang Group, a connected party of the Group, were transferred to the Group during January 2010, for a consideration of RMB848,000. Morgan Tan has become a wholly-owned subsidiary of the Group. The transaction is exempted from disclosure.

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 23 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. The transaction will be approved on the extraordinary general meeting (EGM).

DIRECTORS' SECURITIES TRANSACTIONS

The amended "Code of transactions in the Company's securities", which was passed through on 11August 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 2010.

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 2010.

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 2010 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. Zhou Jie (Non-executive Director)
Mr. Guo Jun Yu (Non-executive Director)
Mr. Hao Hong Quan (Non-executive Director)
Mr. Zhu Ke Qin (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

24 March 2011

* *For identification purpose only*

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