上海復旦張江生物醫藥股份有限公司

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

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

(Stock code:1349)

Annual Results Announcement
For the year ended 31 December 2015

This announcement, for which the directors (the "**Directors**") of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FIVE YEARS FINANCIAL DATA HIGHLIGHTS

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**579,463**	470,900	415,925	232,527	133,890
Operating profit	**153,056**	129,960	108,360	63,866	42,489
Finance costs	**(7,106)**	(1,861)	(9,414)	(6,166)	(4,862)
Profit before income tax	**145,950**	128,099	98,946	57,700	37,627
Income tax expense	**(18,903)**	(17,605)	(15,405)	(5,264)	(5,255)
Profit for the year	**127,047**	110,494	83,541	52,436	32,372
Profit attributable to:					
Shareholders of the Company	**127,723**	118,258	87,218	53,159	30,826
Non-controlling interests	**(676)**	(7,764)	(3,677)	(723)	1,546
Total comprehensive income for the year	**127,047**	110,494	83,541	52,446	32,362
Total comprehensive income attributable to:					
Shareholders of the Company	**127,723**	118,258	87,218	53,166	30,819
Non-controlling interests	**(676)**	(7,764)	(3,677)	(720)	1,543
EBITDA	**182,070**	155,748	124,212	74,874	49,313
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	**RMB 0.1384**	RMB 0.1281	RMB 0.1009	RMB 0.0749	RMB 0.0434

FIVE YEARS FINANCIAL DATA HIGHLIGHTS (Continued)

ASSETS AND LIABILITIES

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,020,265**	824,481	749,216	537,296	358,881
Total liabilities	**(254,425)**	(148,062)	(183,291)	(277,183)	(157,814)
	765,840	676,419	565,925	260,113	201,067
Capital and reserves attributable to shareholders of the Company	**732,630**	650,975	532,717	223,228	170,062
Non-controlling interests	**33,210**	25,444	33,208	36,885	31,005
	765,840	676,419	565,925	260,113	201,067

The board of Directors (the "Board") of the Company presents the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	3	579,463	470,900
Cost of sales	4	(50,014)	(36,821)
Gross profit		529,449	434,079
Other income		72,920	81,770
Research and development costs	4	(110,116)	(105,071)
Distribution and marketing costs	4	(309,038)	(258,025)
Administrative expenses	4	(28,876)	(22,650)
Other operating expenses	4	(1,283)	(143)
Operating profit		153,056	129,960
Finance costs		(7,106)	(1,861)
Profit before income tax		145,950	128,099
Income tax expense	5	(18,903)	(17,605)
Profit for the year		127,047	110,494
Other comprehensive income		-	-
Total comprehensive income for the year		127,047	110,494
Profit attributable to:			
Shareholders of the Company		127,723	118,258
Non-controlling interests		(676)	(7,764)
		127,047	110,494
Total comprehensive income attributable to:			
Shareholders of the Company		127,723	118,258
Non-controlling interests		(676)	(7,764)
		127,047	110,494
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	7	RMB 0.1384	RMB 0.1281

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
Non-current assets			
Leasehold land payments		31,760	32,550
Property, plant and equipment		297,001	285,740
Goodwill		8,937	-
Intangible assets		10,373	2,867
Deferred costs		36,393	17,131
Investment in an associate		-	-
Deferred income tax assets		5,186	3,727
Other non-current assets		1,267	3,011
		390,917	345,026
Current assets			
Inventories		9,958	13,983
Trade receivables	8	132,470	86,132
Other receivables, deposits and prepayments		29,140	16,389
Amounts due from related parties		8,240	6,854
Cash and cash equivalents		445,997	356,097
Restricted cash		3,543	-
		629,348	479,455
Total assets		1,020,265	824,481

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2015

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
Non-current liabilities			
Deferred revenue		19,377	26,954
Current liabilities			
Trade payables	9	4,275	2,789
Other payables and accruals		71,970	66,210
Current income tax liabilities		12,368	7,068
Amounts due to related parties		3,690	3,049
Borrowings		125,000	25,000
Deferred revenue		17,745	16,992
		235,048	121,108
Total liabilities		254,425	148,062
Capital and reserves attributable to shareholders of the Company			
Share capital		92,300	92,300
Reserves	10	640,330	558,675
		732,630	650,975
Non-controlling interests		33,210	25,444
Total equity		765,840	676,419
Total equity and liabilities		1,020,265	824,481

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015

1 BACKGROUND INFORMATION

The Company was established in the People's Republic of China ("PRC") on 11 November 1996 as a limited liability company with an initial registered capital of RMB 5,295,000.

Pursuant to a series of capital injections on 10 November 1997, 11 May 2000 and 12 September 2000 from the existing or the then shareholders of the Company and the capitalisation of reserves of the Company on 11 December 1997 and 20 October 2000, the registered capital of the Company was increased from RMB 5,295,000 to RMB 53,000,000.

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

On 20 January 2002, all of the shares of the Company, being 53,000,000 ordinary shares with a par value of RMB 1.00 each, were subdivided into 530,000,000 ordinary shares ("Domestic Shares") with a par value of RMB 0.10 each.

On 13 August 2002, the trading of the newly issued 198,000,000 ordinary shares ("H Shares") of RMB 0.10 each of the Company commenced on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including 18,000,000 H Shares converted from Domestic Shares. Therefore, the share capital of the Company was increased to RMB 71,000,000.

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

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

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

As at 31 December 2015, the Company had direct interests of 65%, 69.77%, 84.68% and 50.04% in four subsidiaries, namely Shanghai Ba Dian Medicine Co., Ltd. ("Ba Dian"), Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical"), Shanghai Tracing Bio-technology Co., Ltd. ("Tracing") and Derma Clinic Investment Co., Ltd. ("Derma Clinic"), respectively.

The Group are principally engaged in the research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, manufacturing and selling of medical products and providing other medical services in the PRC.

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

This consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This consolidated financial information was approved for issue by the Board of Directors of the Company on 18 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial information has been consistently applied to both years presented, unless otherwise stated.

(a) Basis of preparation

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

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

Changes in accounting policies and disclosures

(i) New amendments of IFRS adopted by the Group

The following new amendments of IFRS are mandatory for the first time for the financial year beginning on or after 1 January 2015.

IFRS 2 (Amendments)	Share-based Payment
IFRS 3 (Amendments)	Business Combinations
IFRS 8 (Amendments)	Operating Segments
IFRS 9 (Amendments)	Financial Instruments
IFRS 13 (Amendments)	Fair Value Measurement
IAS 16 (Amendments)	Property, Plant and Equipment
IAS 19 (Amendments)	Employee Benefits
IAS 24 (Amendments)	Related Party Disclosures
IAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets
IAS 38 (Amendments)	Intangible Assets
IAS 39 (Amendments)	Financial Instruments: Recognition and Measurement, on novation of derivatives
IAS 40 (Amendments)	Investment property

The adoption of the above new amendments of IFRS starting from 1 January 2015 did not have any significant impact on the consolidated financial statements.

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

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(iii) New standards and amendments of IFRS not yet adopted

The following new standards and amendments of IFRS which are relevant to the Group's operations have been issued but are not yet effective and have not been early adopted by the Group. The Directors anticipate that adoption of these new standards and amendments will not result in substantial changes to the consolidated financial statements.

IFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7 (Amendments)	Financial Instruments: Disclosures
IFRS 9	Financial Instruments
IFRS 10 (Amendments)	Consolidated Financial Statements, on applying the consolidation exception
IFRS 12 (Amendments)	Disclosures of Interests in Other Entities
IFRS 15	Revenue from Contracts with Customers
IAS 1 (Amendments)	Presentation of Financial Statements
IAS 16 (Amendments)	Property, Plant and Equipment
IAS 19 (Amendments)	Employee Benefits
IAS 34 (Amendments)	Interim Financial Reporting
IAS 38 (Amendments)	Intangible Assets

3 REVENUE

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

	2015 RMB'000	2014 RMB'000
Sales of medical products	576,647	460,455
Exclusive rights (note (a))	833	5,000
Technology transfer revenue (note (b))	900	5,445
Others	1,083	-
	579,463	470,900

(a) In March 2011, the exclusive distribution rights of Doxorubicin Liposome products were granted to a 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 833,000 and RMB 5,000,000 was recognised respectively as revenue in 2015 and 2014.

(b) On 15 July 2014, the Company entered into a technology transfer contract with a pharmaceutical company to transfer Amphotericin B Liposome for a total consideration of RMB 6,000,000, of which RMB 1,600,000 and RMB 3,900,000 was received respectively in 2015 and 2014, and RMB 900,000 and RMB 2,400,000 was recognised respectively as revenue in 2015 and 2014 as the Company completed the respective milestones of the transfer as specified in the contract and economic benefits associated with the completion had flowed to the Company.

On 15 July 2014, the Company entered into a technology transfer contract with a pharmaceutical company to transfer Vincristine Sulphate Liposome ("LVCR") for a total consideration of RMB 16,800,000, of which RMB 1,290,000 and RMB 6,090,000 was received respectively in 2015 and 2014. LVCR is one of the four existing drug research projects the Group cooperated with Shanghai Pharmaceuticals Holding Co., Ltd. ("SPHCL"), a shareholder of the Company. According to the cooperation agreement, the Group and SPHCL will share equally the future benefits generated from this project. No revenue was recognised in 2015 (2014: RMB 3,045,000) as the Company did not complete any respective milestone of the transfer as specified in the contract in the year.

4 EXPENSES BY NATURE

	2015 RMB'000	2014 RMB'000
Amortisation of leasehold land payments	790	790
Amortisation of intangible assets (included in 'Administrative expenses')	734	276
Amortisation of deferred costs (included in 'Cost of sales')	716	1,395
Auditors' remuneration		
- Audit services	2,118	1,890
- Non-audit services	16	8
Provision for impairment of trade receivables	442	-
Provision for impairment of inventories	258	1,474
Provision for impairment of other receivables, deposits and prepayments	59	-
Changes in inventories of finished goods and work in progress	5,453	635
Raw materials and consumables used	30,273	30,763
Depreciation of property, plant and equipment	35,793	27,254
Less: Amounts capitalised in deferred costs	(9,019)	(3,927)
	26,774	23,327
Losses on disposal of property, plant and equipment	557	51
Operating lease rentals in respect of land and buildings	1,153	1,145
Research and development costs, excluding employee benefit expenses	19,713	22,459
Employee benefit expenses	83,534	70,510
Less: Amounts capitalised in deferred costs	(2,883)	(2,399)
	80,651	68,111
Marketing and sales promotion expenses	267,929	223,597
Post-marketing study expenses	35,409	25,140
Quality inspection expenses	7,194	6,918
Others	19,088	14,731
Total cost of sales, research and development costs, distribution and marketing costs, administrative expenses and other operating expenses	499,327	422,710

5 INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current income tax	20,362	14,949
Deferred income tax	(1,459)	2,656
	18,903	17,605

Effective from 1 January 2008, the Company and its subsidiaries are required to determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") as approved by the National People's Congress on 16 March 2007. The Company was recognised as a high-tech enterprise, and the applicable tax rate of the Company is 15% in 2015 (2014: 15%). The applicable tax rates of the subsidiaries are 25% in 2015 (2014: 25%).

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

	2015 RMB'000	2014 RMB'000
Profit before income tax	145,950	128,099
Tax calculated at the applicable tax rate of 25%	36,488	32,025
Effect of tax rate reduction	(15,509)	(13,399)
Tax losses not recognised as deferred tax assets	2,615	1,482
Additional deduction of research and development expenditures	(5,596)	(5,078)
Expenses not deductible for income tax purposes	233	150
Differences of prior year income tax annual filing	(106)	(680)
Effect of unrealised profits on intra-group transactions	2,449	5,367
Utilisation of previously unrecognised tax losses	(1,671)	(2,262)
Tax charge	18,903	17,605

6 DIVIDEND

No interim dividend was declared by the Company in 2015 (2014: Nil).

On 18 March 2016, the Board of Directors recommended the payment of a final dividend of RMB 0.03 (2014: RMB 0.05) per ordinary share, totalling RMB 27,690,000 (2014: RMB 46,150,000) for the year ended 31 December 2015. The proposed final dividend in respect of the year ended 31 December 2015 is calculated based on the total number of shares in issue. The payment of the proposed final dividend is to be approved by the shareholders at the Company's forthcoming Annual General Meeting. The financial statements do not reflect this as dividend payable.

	2015	**2014**
	RMB'000	**RMB'000**
Proposed final dividend of RMB 0.03 (2014: RMB 0.05) per ordinary share	27,690	46,150

7 EARNINGS PER SHARE

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

	2015	**2014**
Profit attributable to shareholders of the Company (RMB'000)	127,723	118,258
Weighted average number of ordinary shares in issue ('000)	923,000	923,000
Basic earnings per share (RMB)	0.1384	0.1281

There is no difference between the basic and diluted earnings per share for the years ended 31 December 2015 and 2014 as there were no dilutive potential ordinary shares during the years then ended.

8 TRADE RECEIVABLES

	2015	**2014**
	RMB'000	**RMB'000**
Accounts receivable (note (a))	93,904	72,604
Less: Provision for impairment	(1,382)	(1,174)
Accounts receivable - net	92,522	71,430
Notes receivable (note (b))	39,948	14,702
	132,470	86,132

As at 31 December 2015 and 2014, the fair value of the trade receivables approximated their carrying amounts, which are all denominated in RMB.

(a) Accounts receivable are arisen from sales of products, with no interest charged. The credit period granted to customers is between 1 to 4 months. The ageing analysis of accounts receivable based on invoice date, before provision for impairment as at 31 December 2015 and 2014, are as follows:

	2015 RMB'000	2014 RMB'000
Accounts receivable - gross		
- Within credit terms	69,174	56,320
- Past due within 30 days	24,078	11,231
- Past due over 30 days and within 60 days	336	641
- Past due over 60 days and within 90 days	245	238
- Past due over 90 days and within one year	7	3,390
- Past due over one year	64	784
	93,904	72,604

As at 31 December 2015, accounts receivable of RMB 24,730,000 (2014: RMB 16,284,000) were impaired and adequately provided for. The amount of provision was RMB 1,382,000 (2014: RMB 1,174,000). As at 31 December 2015 and 2014, the accounts receivable ageing over one year were fully provided for.

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

	2015 RMB'000	2014 RMB'000
At beginning of the year	1,174	1,756
Additions arising from acquisition of subsidiaries	488	-
Accrual/(Reversal) of provision for impairment of receivables	442	(573)
Receivables written off during the year as uncollectable	(722)	(9)
At end of the year	1,382	1,174

Amounts charged to the provision account are generally written off against the receivable balances when there is no expectation of recovering additional cash.

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

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

9 TRADE PAYABLES

	2015 RMB'000	2014 RMB'000
Accounts payable (note (a))	4,275	2,789

As at 31 December 2015 and 2014, all trade payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

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

(a) As at 31 December 2015 and 2014, the ageing analysis of accounts payable based on invoice date are as follows:

	2015 RMB'000	2014 RMB'000
- Within 30 days	3,891	2,509
- 31 days to 60 days	156	31
- 61 days to 90 days	-	-
- Over 90 days but less than one year	-	18
- Over one year	228	231
	4,275	2,789

10 RESERVES

	Capital accumulation reserve (note (a)) RMB'000	Statutory common reserve fund (note (b)) RMB'000	Retained earnings (note (c)) RMB'000	Total RMB'000
At 1 January 2014	412,211	16,168	12,038	440,417
Profit for the year 2014	-	-	118,258	118,258
Appropriation to statutory reserve	-	10,841	(10,841)	-
At 31 December 2014	412,211	27,009	119,455	558,675
Profit for the year 2015	-	-	127,723	127,723
Share of excess capital contribution from non-controlling interests	82	-	-	82
Final dividend for the year 2014	-	-	(46,150)	(46,150)
Appropriation to statutory reserve	-	13,589	(13,589)	-
At 31 December 2015	412,293	40,598	187,439	640,330

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

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

(c) In accordance with the Company's Articles of Association, the Company declares dividends based on the lower of retained earnings as reported in accordance with the PRC accounting regulations and that reported in accordance with IFRS. According to the statutory financial statements prepared in accordance with the PRC accounting regulations and the financial statements prepared in accordance with IFRS, the amount of distributable reserve was RMB 293,766,000 as at 31 December 2015 (2014: RMB 217,616,000).

11 SEGMENT INFORMATION

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

In recent years, the Group has been focusing on the commercialization of its own drugs after research and development. The outcomes of the Group's research and development activities will be given preference to be used by the Group for its own commercialization. As a result of such strategic shift in its business focus, the Group only received and recognised RMB 5,445,000 and RMB 900,000 as the revenue generated from technology transfer in 2014 and 2015 respectively. Accordingly, the management considers that the Group only operates a single business segment and hence no segment information is presented.

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

Revenues of approximately RMB 327,480,000 (2014: RMB 269,172,000) are derived from a single external customer. These revenues are attributable to the sales of medical products.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

REVENUE

The Group's consolidated revenue for the year 2015 amounted to approximately RMB 579,463,000, comparing to RMB 470,900,000 for the year 2014, representing an increase of 23%.

The total revenue for the year 2015 mainly came from the sale of medical products, revenue recognised from exclusive distribution rights and the revenue from technology transfer. The source of total revenue for the year 2015 was the same as that for the year of 2014.

Revenue from sale of medical products

The major products of the Group are ALA(鹽酸氨酮戊酸，ALA) from photodynamic platform, LIBOd® (鹽酸多柔比星脂質體，Doxorubicin liposome) from Nano-drug platform and various kinds of diagnostic reagents from diagnosis technology platform. The Company has signed the sole agency agreement with NT Pharma (Jiangsu) Co., Ltd. ("NT Pharma") and granted it the exclusive distribution rights of LIBOd®. The work of sales and distribution of LIBOd® nationwide is outsourced to the sales team of NT Pharma and that of the rest of the products is taken by the sales team of the Group.

Revenue of the Group from the sale of medical products for the year 2015 was RMB 576,647,000 (or 99.51% of the total revenue), increased by 25% from that of last year which was RMB 460,455,000. The major products of the Group, ALA and LIBOd®, have contributed 40% and 57% to the total revenue of the Group, respectively. Sales revenue generated from ALA and LIBOd® have increased by 27% and 21% comparing to that for the year of 2014, respectively.

Revenue from exclusive distribution rights

The Company signed the sole agency agreement with NT Pharma in February 2011 and granted it the exclusive distribution rights of LIBOd®, and such agreement expired in February 2015. The total consideration was RMB 20,000,000, of which, an amount of RMB 833,000 (or 0.14% of the total revenue) was recognised as revenue in 2015. The amount recognised for the year 2014 was RMB 5,000,000. The Company entered into a new sole agency agreement with NT Pharma during 2015 without any consideration for the exclusive distribution rights.

Revenue from technology transfer

Revenue from technology transfer for the year 2015 was RMB 900,000. It is the staged revenue recognised form the technology transfer by the Company to a third party pharmaceutical company in 2014. Revenue from technology transfer for the year 2014 was RMB 5,445,000.

COST OF SALES

For the year 2015, cost of sales of the Group was RMB 50,014,000, while the corresponding figure for 2014 was RMB 36,821,000. The ratio of cost of sales to revenue from sale of products raised to 9% from the level of 8% for last year, and remains generally stable. The increase of the ratio was mainly due to the increase in sales of diagnostic reagents with low gross profit margin in 2015. The Group has been consistent in strict cost control. Maintaining the current product structure, we will try our best to maintain the current gross profit margin.

OPERATING PROFIT

For the year 2015, operating profit of the Group was RMB 153,056,000 comparing to the operating profit of RMB 129,960,000 for the year 2014, representing an increase of 18%.

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

- Other income

  Other income for the year 2015 was RMB 72,920,000, compared with RMB 81,770,000 for the year 2014, representing a decrease of 11%. The decrease was mainly due that pursuant to the innovative pharmaceuticals research and development strategic cooperation agreement signed with Shanghai Pharmaceuticals Holding Co., Ltd. ("Shanghai Pharmaceuticals"), the projects have not accomplished the agreed stages at the end of year 2015 so that one-off income relating to the reimbursement of preliminary R&D expenses decreased. The total income recognised for R&D cooperation with Shanghai Pharmaceuticals decreased to RMB 19,508,000 in the year 2015 (2014: RMB 40,029,000). On the other hand, the government grant income recorded in the year 2015 increased to RMB 37,915,000 (2014: RMB 33,173,000).

- R&D costs

  The Group adopts a conservative and prudent capitalization policy for R&D projects. Only the expenses incurred on those projects which were evaluated to be feasible in technology with clear objective and controllable risks can be capitalized. Therefore, most of R&D costs were recognised as expenses as incurred. R&D costs for the year 2015 were RMB 110,116,000, compared with RMB 105,071,000 for the year 2014, representing an increase of 5%. The ratio of R&D costs to revenue is 19% (2014: 22%).

- Distribution and marketing costs

  Distribution and marketing costs for the year 2015 were RMB 309,038,000, compared with RMB 258,025,000 of the year 2014, representing an increase of 20%. The distribution and marketing costs grew in line with the increase in revenue for sale of products. The growth rate of the distribution and marketing costs is near to that of the revenue generated from the sales of medical products. The ratio of distribution and marketing costs to revenue for sale of products decreased to 54% from 56% for last year, and remains generally stable.

- Administrative expenses

  Administrative expenses for the year 2015 were RMB 28,876,000, compared with RMB 22,650,000 for the year 2014, representing an increase of 27%. It is mainly due to the increases of operating costs such as payroll and the administrative expenses of new subsidiaries of the Company which were included in the scope of consolidation of the Group during the year under review.

- Other operating expenses

  Other operating expenses for the year 2015 were RMB 1,283,000, compared with RMB 143,000 for the year 2014, representing an increase of 797%. It mainly includes the losses on disposals of the fixed assets.

FINANCE COSTS

For the year 2015, finance costs of the Group were RMB 7,106,000, compared with RMB 1,861,000 for the year 2014, representing an increase of 282%. It is mainly due to the increase of borrowings of the Group for the purpose of adding liquidity to ensure the operations of subsidiaries and support the existing R&D projects to be developed on schedule.

TAX

Effective from 1 January 2008, the Company and its subsidiaries are required to determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") as approved by the National People's Congress on 16 March 2007. The Company was recognised as a high-techenterprise, and the applicable tax rate of the Company is 15% in 2015. The applicable tax rates of the subsidiaries are 25% in 2015.

As at 31 December 2015, the applicable tax rate and tax policy of the Group did not change.

PROFIT FOR THE YEAR

The profit of the Group for the year 2015 was RMB127,047,000, comparing with that of RMB110,494,000 for the year of 2014, representing an increase of 15%.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company of RMB 127,723,000 was recorded in the consolidated financial statements for the year 2015, compared with that of RMB 118,258,000 for the year 2014, representing an increase of 8%.

The profit of the Company of RMB 135,889,000 was recorded in the financial statements of the Company for the year 2015, compared with that of RMB 108,408,000 for the year 2014, representing an increase of 25%.

DIVIDENDS

Relevant resolution was passed at a meeting of the Board held on 18 March 2016 to propose to distribute a final dividend of RMB 0.03 per share (tax inclusive) for the year ended 31 December 2015, totalling approximately RMB 27,690,000. If the profit distribution plan is approved by the shareholders by way of an ordinary resolution at the 2015 annual general meeting to be held on Friday, 13 May 2016, the final dividend is expected to be distributed on Friday, 8 July 2016 to all shareholders whose names appear on the register of the Company on Thursday, 26 May 2016. To determine the identity of the shareholders entitled to receive the final dividend, the register of holders of H Shares of the Company will be closed from Saturday, 21 May 2016 to Thursday, 26 May 2016 (both days inclusive) during which no transfer of H Shares will be registered. In order to qualify for entitlement to the proposed final dividend, all transfers of H Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar, Computer Share Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 May 2016. Final dividend for holders of Domestic Shares will be declared and calculated in RMB, and paid in RMB whereas final dividend for holders of H Shares will be declared and calculated in RMB, and paid in Hong Kong dollars. The exchange rate shall be determined by the average selling rates promulgated by People's Bank of China within one week before the date declaring to distribute the dividend.

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

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of GuoShui Fa [1993] No. 045 Document issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% individual income tax will be withheld from the final dividend payable to any individual shareholders whose names appear on the register of members of H Shares of the Company on 26 May 2016, unless otherwise stated in the relevant taxation regulations, taxation agreements or the notice.

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

SIGNIFICANT INVESTMENTS

The Board approved that the Company established a subsidiary named Derma Clinic Investment Co., Ltd.* (德美診聯醫療投資管理有限公司) ("Derma Clinic") with independent third parties, including Zhong He Hou De Investment Management Co., Ltd.* (中和厚德投資管理有限公司) ("Zhong He Hou De") in Shanghai, China on 12 December 2014. The Company received the approval and completed the registration and filing procedures with the relevant authorities regarding the establishment of Derma Clinic on 4 August 2015. Derma Clinic will make investment to establish and operate nationwide skin beauty chain clinics, by taking advantage of the brand effect and market share of the Company in the skin beauty field of medical market. Details of this transaction were set out in the announcement issued by the Company on 12 December 2014 and 4 August 2015.

Saved as disclosed above, the Company had no other significant investment during the year ended 31 December 2015.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Board approved that the Company entered into the share transfer agreement with the three original shareholders of Shanghai Youni Bio-tech Co. Ltd.("Youni Bio-tech") on 12 December 2014, representing 90% of the total registered share capital of Youni Bio-tech at a cash consideration of RMB22,500,000 (equivalent to approximately HK$ 28,125,000) in aggregate. Youni Bio-tech is a biotechnology company that is principally engaged in the R&D, manufacture and sales of reagents for food safety detection. Details of this transaction were set out in the announcement issued by the Company on 12 December 2014. The share transfer was completed in January 2015. The financial results of Youni Bio-tech have been consolidated into the accounts of the Group during the year under review and no significant indication of impairment exists.

Saved as disclosed above, the Company had no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2015.

CONTINGENT LIABILITIES

As at 31 December 2015, the Directors were not aware of any material contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2015, there is no change on the Group's assets.

BANKING FACILITIES

As at 31 December 2015, the outstanding amount of the loans of the Group was RMB 125,000,000, which includes:

On 16 February 2015, an unsecured bank borrowing of RMB 70,000,000 was obtained by the Company, with an annual interest rate at the market borrowing rate published by People's Bank of China. The borrowing was due for repayment on 16 February 2016.

On 18 August 2015, a secured bank borrowing of RMB 30,000,000 was obtained by the Company, with an annual interest rate of 4.85%. The borrowing is due for repayment on 18 August 2016.

On 16 March 2015, a bank borrowing of RMB 25,000,000 was obtained by Taizhou Pharmaceutical, a subsidiary of the Group, with an annual interest rate of 6.1525%. The borrowing is guaranteed by the Company, and is due for repayment on 15 March 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

Saved as disclosed above, the Group had no other material capital expenditure plan for the moment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations and investing activities with internally generated financial resources, proceeds from the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), proceeds from the share placement, grants from the municipal government authorities and commercial loans.

As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB 445,997,000.

Being consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank borrowings and loans from government authorities) less cash and cash equivalents. Total capital is calculated as "total equity", as shown in the consolidated balance sheet, plus net debt. As at 31 December 2015 and 2014, cash and cash equivalents is much more than total balance of bank loans of the Group, therefore, the gearing ratio is not applicable.

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

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND SALARIES

As at 31 December 2015, the Group had a total of 552 employees, as compared to 498 employees as at 31 December 2014. Staff costs including directors' remuneration for the year 2015 were RMB 83,534,000, compared with RMB 70,510,000 for the year 2014. The salaries and benefits of employees provided by the Group are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory social welfare plans, are also provided to employees by the Group.

USE OF PROCEEDS

On 4 February 2013, the Company completed a placing of 142,000,000 H shares with a par value of RMB 0.10 each at a price of HKD 1.70. The amount of net proceeds from the placing was approximately HKD 233,909,000 (equivalent to approximately RMB 185,575,000) (after deducting all applicable costs and expenses, including commissions, legal fees and levies). The net proceeds were applied in the planned projects described in the circular of the Company dated 14 May 2012 and the announcement of the Company dated 16 January 2013.

Particulars of the proceeds from the placing were used as follows:

	Budget	Total amount that has been utilized as of 31 December 2015
	RMB'000	RMB'000
R&D projects		
- the clinical study project regarding using ALA for the treatment of cervical intraepithelial neoplasia	**20,000**	9,295
- the pre-clinical study and clinical study project regarding using ALA for the treatment of brain glioma	**10,000**	3,051
- the pre-clinical and clinical study project of paclitaxel albumin nanoparticles	**20,000**	16,246
- the pre-clinical and clinical study project of CD30-MMAE	**30,000**	23,478
To repay the debts of the Company	**20,000**	20,000
For the working capital of the Company	**85,575**	85,575
Total	**185,575**	157,645

BUSINESS REVIEW

DEVELOPMENT CONCEPTS AND OBJECTIVE

With the ultimate goal to stay as an innovator and a leader in the bio-pharmaceutical industry, the Group has committed to exploring unmet needs and deficiencies of clinical and patients treatment as well as developing novel and more effective treatments/medicines, so as to realize our mission that “The More We Explore, the Healthier Human Beings Will Be”.

RESEARCH STRATEGY, REVIEW AND PROSPECTS

During the year under review, our research and development (“R&D”) platforms, namely, genetic engineering, photodynamic-tech and nanotech, has laid solid foundation for our drug development direction. The Group has committed to developing new indications to tackle selected drugs and developing new medicines and innovative treatments to tackle selected diseases. In addition, our diagnostics business unit has been further strengthened to define a clear development direction by resources integration.

During the year under review, with an overall consideration of research resources, risks and cycles, the Group classified the R&D projects according to its affiliated platforms under the original research strategy. Besides, the following management classifications were also applied:

- **The projects with important breakthrough in clinical treatment**, such as the developments of a photodynamic drug for the treatment of CIN, a photodynamic drug to improve the effectiveness of the treatment of cholangiocarcinoma, a photodynamic drug to decrease the recurrence rate of bladder cancer and a synthetic platelet analog to treat bleeding caused by low platelet hemostatic which has vast clinical significance in China due to the lack of component blood transfusion in clinical practices. This kind of projects has definite positions scientific theory as well as clinical application. In addition, on the technical level, we have accumulated mature experiences these years.

- **The projects for exploratory purpose**, such as the development of AD drug under the instruction of a new theory named Secretasome, the exploratory research on Jagged antibody which interacted between Notch signaling pathway and Hippo signaling pathway for the treatment of liver cancer and the development of a new antibody cross-linking drug (ADC).This kind of projects needs to be further explored due to their uncertainties in the areas of science or technology although they are of great importance in clinical treatment.

- **The projects for commercialization purpose,** such as those high-end drugs which broke through technical hurdles including the international registration of Doxorubicin Hydrochloride Liposome, the development of nanoparticle Albumin-bound Paclitaxel, etc. In addition, this kind of projects also include the R&D of drugs which broke through patent limitation such as new generic drugs for the indication of biliary cirrhosis; the development of bio-similar drugs such as monoclonal antibody against VEGF, anti-sclerostin mab (抗硬化蛋白抗體) and long-acting anti-PCSK9 Mab and the manufacture of solid high-end drugs. The criteria for choosing these projects were based on the consideration of expanding the production scale and making contribution to the sales and profit of the Group in short or mid terms.

The classification of our R&D projects embodies the concept of the Group "stand on solid ground and look up at the starry sky". The innovative research of drugs faces great challenges, but we believe that the suitable R&D strategy will lead the Group moving toward a virtuous stage of development. In the fields that we have adequate scientific theory and technology, we will keep exploring and developing drugs to meet clinical needs so as to realize the value of the Group. On the other hand, we shall not stand on the position without the support of scientific theory or technical skills. We are willing to cooperate with outstanding science teams to find out scientific evidence so as to explore the treatments which are lack of now. Meanwhile, we shall also pay attention to the international development of the drugs with major breakthrough. We would research and develop generic drugs or similar drugs to improve effectiveness of treatment for countrymen, especially the drugs which break through technical barriers or patent limitation.

During the year under review, we strengthened the development and improvement of our technology. At present, we have made progress on antibody technology, cross-linking technology and nano-drug technology. On the other hand, we increased the investment in the research of solid high-end drugs so that we have the ability to improve and optimize those drugs which have been already launched to the market and provide us with more methods to solve the deficiency of clinical treatment. We are looking forward to exploring and developing more drugs with the support of these technologies in the near future.

As a R&D company which emphasizes on the research from needs of clinical treatment, our choices face challenges but have extraordinary significance as well. We will try our best to avoid involving in trouble of homoplasy as a result of lack of scientific evidence and thus selecting projects from the drugs which were welled developed overseas.

In a word, we are continuing to explore and hope our efforts can provide useful help for the treatment of the patients and be of value to investors. Although we will face significant risks and challenges, we still believe our R&D strategy and result will lead the Company to sustainable development for medium and long term.

By the end of the year 2015, the major drugs under R&D of the Group are summarized as follows:

Technical platform	Project name	Indications	Progress
Genetic Engineering	Recombinant tissue type plasminogen activator (r-tPA)	Heart infarction	Technology transferred; the transferee has obtained the letter of approval for drug registration
	Recombinant human lymphotoxin α-derivatives (LT)	Tumor	Clinical trial phase II completed; stopped moving forward; discuss new plan
	Recombinant human tumor necrosis recipient Fc fusion protein (Etanercept)	Arthritis	Domestic and overseas rights transferred respectively
	rhTNFR*(m)*:Fc (High bio-activity recombinant human TNF receptor 2-Fc fusion protein mutant (高親和力重組人腫瘤壞死因數受體突變體-Fc 融合蛋白)	Arthritis	Clinical trial phase I
	PTH (重組人甲狀旁腺激素)	Osteoporosis	Clinical trial phase I Completed
	CD30-MMAE	Tumor	Pre-clinical study
	Anti-sclerostin mab (骨硬化蛋白抗體)	Osteoporosis	Pre-clinical study
	PCSK9	Hypercholesterolemia	Pre-clinical study
	Avastin	Tumor	Pre-clinical study completed, clinical trial registration
Photodynamic technique	Hemoporfin (海姆泊芬)	Port wine stain	GMP certification in progress, plan to launch for sale in 2016
	Deuteroporphyrin (多替泊芬)	Tumors	Clinical trial phase II
	Aminolevulinic acid	Cervical diseases infected by HPV	Clinical trial phase II
	Aminolevulinic acid	Acne	Clinical trial application has been submitted
	Aminolevulinic acid	Brain gliomas	Pre-clinical study
	Aminolevulinic acid	Basal cell carcinoma	Pre-clinical study

Nano technique	Doxorubicin liposome (鹽酸多柔比星脂質體)	Tumors	Registered in USA, Bioequivalence trial completed, application documents in preparation
	Vincristine sulphate liposome (LVCR)	Tumors	Clinical trial phase I completed, transferred to the third party pharmaceutical company
	Nanoparticle Albumin-bound Paclitaxel(紫杉醇白蛋白納米粒)	Tumors	Pre-clinical study
	Xenon liposome	Stroke	Pre-clinical study, not up to expectations, terminated
Others	Antenatal screening diagnostic reagent	Down's syndrome, etc.	Under Research
	Food Safety Inspection reagents	antibiotics inspection, etc.	Under Research

In February 2011, the Company entered into the strategic cooperation agreement with Shanghai Pharmaceuticals for the cooperation on innovative pharmaceutical R&D. Both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Group which are currently at various research stages. This agreement was renewed in 2013 and the term of the renewed agreement is three years ending 31 December 2016. During the year 2015, the agreement was enforced as stipulated and R&D work was performed in order. The transfer of Vincristine sulphate liposome was decided based on the agreement with Shanghai Pharmaceuticals.

COMMERCIALIZATION STRATEGY, REVIEW AND PROSPECTS

During the year under review, the Group has committed to implementing the commercialization strategy of launching self-developed innovative drugs to the market. Meanwhile, we will expand generic drugs group gradually to fill the capacity in view of factual operation needs.

To make full use of the advantages accumulated in skin management field these years, the Group began to involve itself in the industry of skin beauty chain clinics during the year under review and made investment to establish Derma Clinic Investment Co., Ltd.*(德美診聯醫療投資管理有限公司)("Derma Clinic") in August 2015. We think Derma Clinic can enrich the Group's industrial chain layout and expand the core technology and sole products to end customers, which is in line with the development regularity of industry chain in the future. In addition, the operation of Derma Clinic will refine the commercialization concept of photodynamic products and transfer the Group to a resource integrator in photodynamic technology market from a products and technology provider which can raise our brand and capital value obviously. On the other hand, in terms of photodynamic drugs of the Company, Derma Clinic would change the operation mode of selling drugs only by hospitals in the result of increasing distribution channels and creating opportunities for setting up O2O integrated operation mode in the future.

During the year under review, product sales revenue of the Group increased by 25% compared with that of last year. ALA (艾拉®) which is indicated for the treatment of dermal HPV infectious disease and proliferative disease and LIBOd® which is indicated for the treatment of tumor are two major products of the Group, together contributed 97% of the sales generated by the Group.

ALA (艾拉®) launched to the market in 2008. As the first photodynamic drug in China, ALA can selectively spread and accumulate in condyloma acuminatum cells, and kill them together with specific wavelength light and energy, which does not result in adverse effects on surrounding normal tissues at the same time. Due to the feature of this kind of therapy, ALA also has effects on the treatment of subclinical infection and latent infection. Compared with traditional therapy, the therapy of ALA combined with photodynamic technology, filled in the blanks in the treatment of urethral orifice condyloma acuminate. In addition, our therapy has the advantages such as better tolerance of patient, higher safety, non-scar, lower adverse reaction and much lower recurrence rate comparing with previous average level. ALA has become one of the largest consumed skin-sure drugs now. During the year under review, sales revenue of ALA in 2015 increased by 27% compared with that of last year due to that we adjusted sales strategy according to market trends.

LIBOd® (里葆多®) for the treatment of tumors, was launched for sale in August 2009 and it has brought favorable market response and reputation. It becomes the only Doxorubicin Hydrochloride Liposome Injection that successfully won the bid for becoming an admitted product for insured critical illness in Zhejiang Province，which has a positive meaning for increasing market share and sales volume. In order to increase the market promotion and sales of LIBOd®, the Company signed the “Sole Agency Agreement” with NT Pharma in February 2011 and granted it the exclusive distribution rights of LIBOd®. The agreement expired by the end of February in 2015 and the Company entered into a new agency agreement with NT Pharma in March 2015. As compared with last year, its revenue increased by 21% in 2015. It is still expected to make big contribution to the sales revenue of the Group in future.

FuMeiDa (the proposed brand name of Hemoporfin), the first photodynamic drug for the treatment of Port Wine Stain, is a new drug with new target, new compound and new indication. The Group is working on GMP verification and plan to launch for sale in 2016. We have designed a new sales mode for FuMeiDa, with the integration of treatment and sales, which includes the Company’s Wechat subscription, chain of clinics of the Group, designated hospitals and direct distribution systems provided by other pharmaceutical companies. It is estimated to be launched to market in the second half of 2016.

For the past couple of years, as the first product group, diagnostic reagents in clinical treatment contribute stable sales revenue to the Group. With the new products launched to the market and intensive competitions in diagnostic technology industry, the advantages of this product group became weaker and weaker and there are few good reserve projects. In order to further strengthen diagnostics business unit and integrate in existing vitro diagnostic reagents platform, the Group invested to set up tracing Bio-technology jointly with a third party investor in 2012 and the new company covers all sectors including R&D, production and sales so that this platform can be operated as an independent operation entity. In addition, during the year under review, the Group completed a series of jobs on restructuring and integration of this platform. We believe we can gradually use the advantages accumulated in this area for several years to improve the competitiveness of existing products and develop more and more new products. During the year under review, sales revenue of related diagnostic reagents increased by 337% compared with that of last year.

During the year under review, Derma Clinic Investment Co., Ltd. (德美診聯醫療投資管理有限公司) has been negotiating for site selection in Beijing, Shenzhen, Zhengzhou and Wuhan, etc. Now two clinics have completed relevant registration procedures and one of them has been open for public. We planned to set up more than ten clinics in 2016.

During the year under review, all the product lines for existing products on sale of the Group passed GMP Certification of China Food and Drug Administration. Our objective is to set up the product lines which can meet international standard so that our products could be sold worldwide. The management has considered to apply for the certification of U.S. FDA for those two product lines launched in Shanghai and Taizhou. In the future, the timetable will be made according to specific commercialization projects.

The subsidiary of the Company, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. ("Taizhou Pharmaceutical") has constructed two production lines for the material and injection of Hemoporfin. To make the two production lines at full capacity before new self-developed drugs obtaining production approval, the Group has chosen several generic drugs which can be produced with Hemoporfin on the same production line and planned to submit the application of registration. During the year under review, the work of technology research of these generic drugs has been completed and their registration applications are planned to be submitted gradually after the sale of Hemoporfin. More investments on production lines will be made in the next few years so as to make it become the centralized production base of the Group.

The Group has successfully accomplished the transformation from purely R&D to equally stress on both R&D and commercialization with a complete system featuring organic combination of R&D, product manufacturing and marketing. The Group is moving toward a virtuous stage of development.

By the end of the year 2015, the commercialized projects of the Group are summarized as follows:

Technical platform	**Project name**	**Indications**	**Launching time**
Photodynamic technique	ALA	Condyloma acuminate	2008
	FuMeiDa	Port wine stain	Estimated in 2016
Nano technique	LIBOd®	Tumors	2009
Diagnosis and Inspection	Antenatal screening diagnostic reagent, analysis software and equipment including Beixi, Beiyou	Down's syndrome	Launched already
	Several food safety inspection projects	food safety inspection	Launched already

CORPORATE GOVERNANCE

The Board has reviewed the documents relating to corporate governance policies adopted by the Company and considered that it had complied with most of the principles and codes set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules. In some aspects, the codes of corporate governance adopted by the Company are even stricter than the provisions as set out in the Code. Details are set out as follows:

Major aspect which is stricter than the provisions as set out in the Code:

- Two-thirds of the members of the audit committee of the Company (the "Audit Committee") are Independent Non-executive Directors.

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

- The positions of the chairman and the general manager rest on the same person. Although the Articles of Association contains specific requirements on the responsibilities of the chairman and the general manager (chief executive), such being the responsibilities of managing the operation of the Board and managing the daily operation of the Company, respectively, the two positions are still taken by one person. Considering that the scale of the Company is relatively small with its businesses mainly focused in the areas of research, production and sales of innovative drugs, and that it has not completely stepped out the venture period for the time being, also for the sake of management efficiency, the Board takes the view that the positions of chairman and chief executive being taken by one person is beneficial for the Company's development at the present stage. Along with the development of the Company, the Board will consider to segregate duties of the chairman and the chief executive.

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

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

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

	Number Year 2015	Year 2014
Directors	3	3
Non-directors	4	4
	7	7

The emoluments fell within the following bands:

	Number Year 2015	Year 2014
The emoluments range (HKD)		
1,000,000 – 1,500,000	2	1
1,500,000 – 2,000,000	4	5
2,500,000 – 3,000,000	1	1
	7	7

DETAILS OF OPTIONS GRANTED BY THE COMPANY

As at 31 December 2015, the Company did not have any share option scheme in force.

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

As at 31 December 2015, the interests (if any) of the Directors, chief executive and Supervisors and their respective associates in the shares or debentures (including interests in shares and/or short positions) of the Company and its associated corporations, (a) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"); or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules were as follows:

Name of Directors	**Class of shares**	**Number of shares held**	**Capacity**	**Type of interest**	**Percentage in Domestic Shares**	**Percentage in total share capital**
Wang Hai Bo	Domestic Shares	57,886,430 (L)	Beneficial owner	Personal	9.93%	6.27%
Su Yong	Domestic Shares	22,312,860 (L)	Beneficial owner	Personal	3.83%	2.42%
Zhao Da Jun	Domestic Shares	19,260,710 (L)	Beneficial owner	Personal	3.30%	2.09%

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2015, the persons other than a director, chief executive or supervisor of the Company who have interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register maintained under Section 336 of the SFO, or as notified to the Company and the Stock Exchange were as follows (the interests in shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, chief executive and Supervisors):

Name of substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of share capital	Percentage in total share capital
Shanghai Industrial Investment (Holdings) Co., Ltd.	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	23.94%	22.77%
	H Shares	70,564,000 (L)			20.75%	
Shanghai Pharmaceuticals	Domestic Shares	139,578,560 (L)	Beneficial owner	Corporate	23.94%	22.77%
	H Shares	70,564,000 (L)			20.75%	
China New Enterprise Investment Fund II	Domestic Shares	156,892,912 (L)	Beneficial owner	Corporate	26.91%	17.00%
Yang Zong Meng	Domestic Shares	80,000,000 (L)	Beneficial owner	Personal	13.72%	8.67%
Fudan University	Domestic Shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.25%	3.32%
Shanghai Fudan Asset Operating Limited (上海復旦資產經營有限公司)	Domestic Shares	30,636,286 (L)	Beneficial owner	Corporate	5.25%	3.32%

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

CONNECTED TRANSACTIONS

For the year ended 31 December 2015, the continuing connected transactions of the Group are set out as follows:

Sales and Distribution Agreement with Shanghai Pharmaceutical Distribution

In order to leverage the established and extensive sales and distribution network of Shanghai Pharmaceuticals, a substantial shareholder of the Company, the Company has been engaging Shanghai Pharmaceutical Distribution Co., Ltd. ("Shanghai Pharmaceutical Distribution"), as its distribution agent since 10 August 2010 when the Company entered into a sales and distribution agreement (the "Sales and Distribution Agreement") with Shanghai Pharmaceutical Distribution, a wholly-owned subsidiary of Shanghai Pharmaceuticals. Details of the terms of the updated Sales and Distribution Agreement were set out in the circular issued by the Company on 12 April 2013. The annual caps for the continuing connected transactions contemplated under the Sales and Distribution Agreement for the three years ending 31 December 2015 are approximately RMB 20 million, RMB 31 million and RMB 50 million, respectively, as approved at the annual general meeting held on 30 May 2013. This is a continuing connected transaction and discloseable transaction. During the year 2015, the product sales revenue to Shanghai Pharmaceutical Distribution was RMB 12,303,000, which did not exceed the annual cap which was approved at the annual general meeting held on 30 May 2013.

Strategic Cooperation Agreement for Innovative Pharmaceuticals R&D with Shanghai Pharmaceuticals

In February 2011, the Company entered into the strategic cooperation agreement with Shanghai Pharmaceuticals, a substantial shareholder of the Company, for the cooperation on innovative pharmaceuticals R&D. Both parties would jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Group which are currently at various research stages. Details were set out in the Company's circular issued on 12 April 2013. The transaction was approved at the annual general meeting held on 30 May 2013. The annual caps for the continuing connected transactions contemplated under the strategic cooperation agreement for the three years ending 31 December 2016 were approximately RMB 33 million, RMB 31 million and RMB 20 million, respectively. This is a continuing connected transaction and disclosable transaction. During the year 2015, the Group received an amount of RMB 15,612,000 from Shanghai Pharmaceuticals for cooperation and development, the nature of the transaction was in the context of the framework agreement and the amount did not exceed the annual cap which was approved at the annual general meeting held on 30 May 2013.

The above connected transactions are closely mentioned by the Company's internal audit and controls department. The Audit Committee and Independent Non-executive Directors have reviewed the above mentioned continuing connected transactions and confirmed that the transactions have been entered into:

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

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

(3) on normal commercial terms or better; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange on 18 March 2016.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights in the articles of association of the Company or under the laws of the PRC being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the financial reporting, internal controls and corporate governance issues and making relevant recommendations to the Board. The Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director who are Mr. Lam Yiu Kin, Mr. Xu Qing and Mr. Shen Bo. Mr. Lam Yiu Kin was appointed as the chairman of the Audit Committee.

The Audit Committee reviews the accounting principles and practices adopted by the Group as well as the internal controls to check whether they comply with the Listing Rules, and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group's annual results and financial statements for year 2015 before proposing to the Board for approval.

AUDITOR

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the Listing Rules, each of the Independent Non-executive Directors of the Company has confirmed with the Company their independence. The Company has received such confirmations from the Independent Non-executive Directors and has confirmed the independence of Independent Non-executive Directors.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The 2015 annual report will be despatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
Wang Hai Bo
Chairman

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

Mr. Wang Hai Bo (Executive Director)
Mr. Su Yong (Executive Director)
Mr. Zhao Da Jun (Executive Director)
Ms. Ke Ying (Non-executive Director)
Mr. Shen Bo (Non-executive Director)
Ms. Yu Xiao Yang (Non-executive Director)
Mr. Zhou Zhong Hui (Independent Non-executive Director)
Mr. Lam Yiu Kin (Independent Non-executive Director)
Mr. Xu Qing (Independent Non-executive Director)

Shanghai, the PRC

18 March 2016

** For identification purpose only*