Venturepharm Laboratories Limited

萬 全 科 技 藥 業 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8225)

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock 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.

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This announcement, for which the directors (the ''Directors'') of Venturepharm Laboratories Limited (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 for the purpose of giving information with regard to the Venturepharm Laboratories Limited and its subsidiaries ("the Group"). The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement 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 Venturepharm Laboratories Limited (the “**Company**”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011 as follows:

HIGHLIGHT

1. For the year ended 31 December 2012, consolidated turnover of the Group amounted to RMB28,688,000 representing an increase of 58% compared with RMB18,099,000 of last year .

2. For the year ended 31 December 2012, the profit before income tax of the Group was RMB 3,231,000 compared with loss of RMB 149,772,000 of last year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

		Year ended 31 December	
		2012	2011
	Notes	**RMB'000**	RMB'000
Revenue	2	**28,688**	18,099
Cost of sales		**(16,236)**	(11,094)
Gross profit		**12,452**	7,005
Other income	3	**3,711**	1,477
Administrative expenses		**(17,448)**	(51,314)
Impairment loss on work-in-progress	8	**(6,653)**	(57,423)
Gain/(loss) on revaluation of convertible bonds		**16,283**	(4,546)
Gain/(loss) on disposal of financial assets at fair value through profit or loss	11	**37**	(47,169)
Finance (cost)/income – net	4	**(5,151)**	2,198
Profit/(loss) before income tax		**3,231**	(149,772)
Income tax	6	**(113)**	(4,024)
Total comprehensive income for the year		**3,118**	(153,796)
Attributable to:			
Owners of the Company		**3,207**	(152,435)
Non-controlling interests		**(89)**	(1,361)
		3,118	(153,796)
Basic and diluted earnings/(loss) per share	7	**0.88cents**	(41.85)cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**9,616**	11,523
Current assets			
Work-in-progress	8	**17,611**	11,711
Trade and bill receivables	9	**3,535**	1,436
Prepayments and other receivables	10	**6,123**	4,673
Financial assets at fair value through profit or loss	11	**1,815**	1,803
Cash and cash equivalents		**2,771**	6,822
		31,855	26,445
Total assets		**41,471**	37,968
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary shares		**38,536**	38,536
Reserves		**(132,880)**	(134,972)
		(94,344)	(96,436)
Non-controlling interests		**157**	(316)
Capital deficiency		**(94,187)**	(96,752)
LIABILITIES			
Non-current liabilities			
Convertible bonds	12	**91,875**	-
Current liabilities			
Other payables and accruals	14	**17,264**	12,707
Convertible bonds	12	**-**	106,786
Bank borrowing	13	**3,000**	-
Receipts in advance		**23,475**	15,146
Income tax liabilities	6	**44**	81
		43,783	134,720
Total liabilities		**135,658**	134,720
Total equity and liabilities		**41,471**	37,968
Net current liabilities		**(11,928)**	(108,275)
Total assets less current liabilities		**(2,312)**	(96,752)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share capital	**Share-based payment reserve**	**Special reserve**	**Capital reserve**	**Statutory reserve**	**Statutory enterprise expansion fund**	**Accumulated loss**	**Total**	**Non-controlling interests**	**Total Equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	38,469	3,627	6,039	1,459	3,803	6,986	(5,103)	55,280	1,045	56,325
Total comprehensive income for the year	–	–	–	–	–	–	(152,435)	(152,435)	(1,361)	(153,796)
Transactions with owners										
Issue of ordinary shares upon exercise of share options	67	–	–	275	–	–	–	342	–	342
Exercise of share options	-	(84)	–	84	–	–	–	-	–	--
Employee share option benefits	–	377	–	–	–	–	–	377	–	377
Total transactions with owners	**67**	**293**	**–**	**359**	**–**	**–**	**–**	**719**	**–**	**719**
At 31 December 2011 and 1 January 2012	38,536	3,920	6,039	1,818	3,803	6,986	(157,538)	(96,436)	(316)	(96,752)
Total comprehensive income for the year	–	–	–	–	–	–	3,207	3,207	(89)	3,118
Transactions with owners										
Employee share option benefits	–	365	–	–	–	–	–	365	–	365
Transferred to statutory reserve	-	-	-	-	18	-	(18)	-	-	-
Purchase of additional interest in a subsidiary	-	-	-	-	-	-	(1,479)	(1,479)	562	(917)
Total transactions with owners	-	365	-	-	18	-	(1,498)	(1,115)	562	(553)
At 31 December 2012	**38,536**	**4,285**	**6,039**	**1,818**	**3,821**	**6,986**	**(155,829)**	**(94,344)**	**157**	**(94,187)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Basis of preparation

As at 31 December 2012, the Group's current liabilities exceeded its current assets and its total liabilities exceeded its total assets by approximately RMB11,928,000 (2011: net current liabilities of approximately RMB108,275,000) and approximately RMB94,187,000 (2011: net liabilities of approximately RMB 96,752,000) respectively.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

As at 31 December 2012, the Group had current liabilities of approximately RMB 43,783,000 among which approximately RMB 23,475,000 of receipts in advance from customers. Most of the receipts in advance would be recognised as revenue in 2013 and later years, and will not lead to any cash outflow in future. Excluding receipts in advance the current ratio (current asset/current liabilities) of the Group as at 31 December 2012 was 1.57.

Meanwhile, considering the working capital and long term funding demand for future development, the Group will consider to raise funds through bank loans, issuance of new shares, convertible bonds and issuance of new debts.

The consolidated financial statements of the Company and its subsidiaries (together, the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

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

Impact of new and amended standards

(a) The Group has applied the amendments to HKFRS 7 Disclosures — Transfer of Financial Assets in the current year. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with their associated liabilities. In addition, the amendment requires disclosures about the entity´s continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, such involvement. The amendments did not have an impact on the Group's financial position, performance or its disclosures.

Other than as disclosed above, there are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

Impact of HKFRSs issued but not yet effective

(b) The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective in these financial statements.

HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[1]
HKFRS 10	Consolidated Financial Statement[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Revised)	Employee Benefits[2]
HKAS 27 (Revised)	Separate Financial Statements[2]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]

[1] Effective for annual periods beginning on or after 1 July 2012

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 January 2014

[4] Effective for annual periods beginning on or after 1 January 2015

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

HKAS 19 (Amendment) ‘Employee benefits’, effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

HKFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9’s full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

HKFRS 10, Consolidated financial statements’, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10’s full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 12, ‘Disclosures of interests in other entities’, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12’s full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

2. Revenue and segment information

Breakdown of the revenue from all services is as follows:

	2012	2011
	RMB'000	RMB'000
Analysis of revenue by category:		
Contracted clinical research services (VPS)	**16,492**	13,935
Contracted pharmaceutical development services (PDS)	**11,695**	2,696
Import registration services (IRS)	**266**	1,439
Sales of active pharmaceutical ingredients products (API)	**85**	29
Transfer of patent	**150**	-
Total	**28,688**	18,099

Turnover and contribution to profit from operations by segment has not been presented as over 90% of the Group's turnover was derived from the pharmaceutical research and development, registration, application and testing in the PRC and all assets were located in the PRC for both years.

3. Other income

	2012 RMB'000	2011 RMB'000
Government subsidies	**258**	1,348
Fair value gain/(loss) on financial assets at fair value through profit or loss	**227**	(487)
Dividends income	**42**	106
Compensation income	**308**	362
Gain on disposal of property, plant and equipment	**56**	54
Reversal of impairment loss on other receivables	**2,400**	-
Reversal of impairment loss on trade receivables	**150**	-
Others	**270**	94
Total	**3,711**	1,477

During the year, the Group received RMB 258,000 (2011: RMB1,348,000) of government subsidies towards the research and development projects.

4. Finance income and costs

	2012 RMB'000	2011 RMB'000
Finance costs:		
– Exchange losses	**(1,416)**	–
– Interest on bank loan wholly repayable within five year	**(53)**	–
– Interest on margin financing	-	(1,089)
– Imputed interest on convertible bonds	**(3,715)**	(3,851)
– Others	**(86)**	(74)
	(5,270)	(5,014)
Finance income:		
– Exchange gains	**97**	6,914
– Interest income	**22**	298
	119	7,212
Finance (costs)/income – net	**(5,151)**	2,198

5. Expenses by nature

Expenses included in cost of sales and administrative expenses are analysed as follows:

	2012	2011
	RMB'000	RMB'000
Depreciation	**2,713**	2,584
Auditor's remuneration	**630**	780
Employee benefit expenses	**10,415**	19,547
Compensation	**5,177**	3,503
Operating lease payment	**1,013**	2,045
Provision for impairment loss of trade receivables	**-**	7,296
Impairment loss on property, plant and equipment	**-**	3,243
Impairment loss on other receivables	**524**	11,113

6. Income tax

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the year (2011: Nil).

PRC Enterprise Income Tax has been calculated on the estimated assessable profit for the year according to the relevant laws and regulations. The applicable income tax rate is ranging from 15% to 25% as at 31 December 2012 (2011: 15%). During the year,北京德眾萬全藥物技術開發有限公司, 北京萬全陽光醫藥科技有限公司, 北京萬全陽光醫學技術有限公司, 北京德眾萬全醫藥科技有限公司 and 海南盛科生命科學研究院 have applied to the PRC tax authority as High-tech Enterprises and subject to the PRC Enterprise Income Tax at 15%.

The amount of taxation charged to the consolidated income statement represents:

	2012	2011
	RMB'000	RMB'000
PRC enterprise income tax		
– current year	**44**	81
– under/(over)-provision in prior years	**69**	(1,397)
Deferred taxation	**-**	5,340
Total	**113**	4,024

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using PRC Enterprise Income Tax Rate as follows:

	2012	2011
	RMB'000	RMB'000
Profit/(loss) before tax	**3,231**	(149,772)
Calculated at a tax rate of 15%	**484**	(22,466)
Effect of differential tax rate of overseas entities	**(1,966)**	9,394
Under/(over)-provision in prior years	**69**	(1,397)
Unrecognised tax loss	**6,510**	-
Derecognition of previously recognised deferred tax assets	**-**	5,340
Utilisation of tax loss not recognised	**(311)**	-
Revenue not taxable for taxation purpose	**(4,738)**	-
Expenses not deductible for taxation purpose	**65**	13,153
Taxation	**113**	4,024

7. Basic and diluted earnings/(loss) per share

(a) Basic earnings/(loss) per share

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

	2012	2011
Profit/(loss) attributable to owners of the Company (RMB'000)	**3,207**	(152,435)
Weighted average number of ordinary shares in issue (thousands)	**364,308**	364,216
Basic earnings/(loss) per share (RMB cents per share)	**0.88**	(41.85)

(b) Diluted earnings/(loss) per share

The calculation of the diluted earnings/(loss) per share for the year is based on the profit/(loss) attributable to ordinary equity shareholders and adjusted to eliminate the interest expense less the tax effect. The weighted average number of 453,118,000 (2011: 453,144,000) ordinary shares after adjusting for the effect of the dilutive potential ordinary shares to be issued to the exercise of the options granted under all relevant Share Option Schemes and the conversion of convertible bond as detailed below of 88,810,000 (2011: 88,928,000) shares, calculated as follows:

	2012	2011
	RMB'000	RMB'000
Profit/(loss) attributable to owners of the Company	**3,207**	(152,435)
Interest expense on convertible bond (net of tax)	**3,715**	3,851
Profit/(loss) used to determine diluted earnings per share	**6,922**	(148,584)
Weighted average number of ordinary shares in issue (thousands)	**364,308**	364,216
Adjustment for:		
– Effect of deemed issue of ordinary shares under the Company's Share Option Schemes and the conversion of convertible bond (thousands)	**88,810**	88,928
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**453,118**	453,144

No diluted earnings/(loss) per share for the years ended 31 December 2012 and 2011 is presented as the assumed conversion of convertible bond would result in an increase in earnings/decrease in loss per share.

8. Work-in-progress

	2012 RMB'000			
	Principal value	Impairment	Net value	Reason for impairment
Work-in-progress -contracted (a)	55,589	(37,978)	17,611	The total contract cost will exceed total contract revenue
Work-in-progress -Non-contracted (b)	40,549	(40,549)	-	No contract and immediate revenue
Total	96,138	(78,527)	17,611	

	2011 RMB'000			
	Principal value	Impairment	Net value	Reason for impairment
Work-in-progress -contracted (a)	43,036	(31,325)	11,711	The total contract cost will exceed total contract revenue
Work-in-progress -Non-contracted (b)	40,549	(40,549)	-	No contract and immediate revenue
Total	83,585	(71,874)	11,711	

(a) The balance represents the project costs incurred for the contracted research and development, pharmaceutical application, registration and testing services, but have not met the extent of the milestone payments earned in accordance with the applicable performance requirements and contractual terms.

(b) The balance comprises of development costs incurred with the intention of outright sales as technology transfer but have not been contracted.

9. Trade and bill receivables

	2012 **RMB'000**	2011 RMB'000
Trade receivables	**5,573**	39,216
Less: provision for impairment of trade receivables	**(4,366)**	(37,780)
Bill receivables	**2,328**	-
Trade and bill receivables – net	**3,535**	1,436

The Group allows an average credit period of 90 days to its trade customers. As 31 December 2012 and 2011, the ageing of the trade receivables net of impairment were as follows:

	2012 **RMB'000**	2011 RMB'000
1-30 days	**241**	833
31 -60 days	**11**	39
61-90 days	**-**	-
91-180 days	**585**	-
Over 180 days	**370**	564
Total	**1,207**	1,436

In addition, some of the unimpaired trade receivables are past due as at the reporting date. Ageing analysis of trade receivables not impaired is as follows:

	2012 **RMB'000**	**2011** **RMB'000**
Neither past due nor impaired	252	872
1-30 days past due	-	-
31 -60 days past due	-	-
61-90 days past due	560	-
91-180 days past due	115	-
Over 180 days past due but less than one year	280	100
Over one year past due but less than two years	-	464
	955	564
Total	1,207	1,436

As at 31 December 2012, trade receivables of RMB 955,000 (2011: RMB 564,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. These customers have a good track record with the Group. Based on the past experience, the management believes that no impairment is provided in respect of these balances as there have no significant changes in the credit quality of these customers and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

As of 31 December 2012, trade receivables of Nil (2011: RMB 7,296,000) were impaired and provided for. The amount of the provision was RMB 4,366,000 as at 31 December 2012 (2011: RMB 37,780,000). The individually impaired receivables mainly related to customers, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected not to be recovered.

Movement on the Group's provision for impairment of trade receivables are as follow:

	2012	2011
	RMB'000	RMB'000
At 1 January	**37,780**	30,484
Impairment loss of receivable recognised during the year	**-**	7,296
Trade receivable written off during the year	**(33,264)**	-
Reversal of impairment loss of trade receivable	**(150)**	-
At 31 December	**4,366**	37,780

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

10. Prepayments and other receivables

The prepayments and other receivables are as follows:

	2012	2011
	RMB'000	RMB'000
Prepayments	4,081	2,300
Deposit	408	409
Other receivables	4,364	13,077
	8,853	15,786
Less: provision of impairment	(2,730)	(11,113)
Total	6,123	4,673

The movement in the impairment of other receivables, deposits and prepayments is as follow:

At 1 January	11,113	-
Reversal of impairment	(2,400)	-
Written off	(6,507)	-
Provision for impairment loss recognised for the year	524	11,113
At 31 December	2,730	11,113

Related parties	41	48
Third parties	6,082	4,625
Total	6,123	4,673

The carrying amounts of prepayments and other receivables approximate their fair values.

11. Financial assets at fair value through profit or loss

	2012	**2011**
	RMB'000	**RMB'000**
Foreign currency bond fund	**1,815**	1,803
Total	**1,815**	1,803

The fair value of all financial assets at fair value through profit or loss is based on their current bid prices in an active market.

Financial assets at fair value through profit or loss are denominated in the following currencies:

	2012	2011
	RMB'000	RMB'000
US dollars	**1,815**	1,803
Total	**1,815**	1,803

Gain/(loss) on disposal of financial assets through profit or loss:

	2012	2011
	RMB'000	RMB'000
Gain on disposal of foreign currency bond fund	**37**	355
Loss on disposal of Hong Kong listed shares	**-**	(47,524)
Total	**37**	(47,169)

The Company held financial assets at fair value through profit or loss of RMB 1,815,000 as at 31 December 2012 which was all foreign currency bond fund.

12. Convertible bonds

	2012	2011
	RMB'000	RMB'000
Current		
Convertible bonds	**-**	106,786
Non-current		
Convertible bonds	**91,875**	-

On 10 September 2007, the Company, issued bonds of an aggregate principal amount of CHF15,000,000. Unless previously redeemed, repurchased and cancelled or converted, any outstanding convertible bonds shall be redeemed at the redemption amount (110% of the principal amount outstanding of the convertible bonds) on the date falling on the fifth anniversary of the date of issue of the convertible bonds. The bonds bear interest at the rate of 3.5% per annum and payable annually.

On 4 September 2012, an extraordinary resolution was passed by the majority of bond holders in accordance with the terms of the convertible bonds to approve the extension of the convertible bonds to 10 September 2015 with an increase in interest rate from 3.5% to 4% per annum. The extension of the convertible bond was also approved by the shareholders of the Company at the extraordinary general meeting held on 20 September 2012.

The conversion price shall be in Swiss Francs that will be equivalent to 130% of the average closing prices of the shares of the Company as published in the daily quotation sheets published by the Stock Exchange of Hong Kong Limited for 30 consecutive trading days up to and including the fifth business day prior to the closing date per share.

The bondholders will have the right to convert, at the conversion price, the whole of the principal amount of the convertible bonds into shares at any time and from time to time, from the date of issue of the convertible bonds.

Bondholders may at any time during the period on or after the date of issue of the convertible bonds and prior to the close of business on the maturity date or (i) if the Company shall have exercised its rights to redeem the convertible bonds (tax redemption or early redemption), then up to the fifth business day preceding the date fixed for such redemption, (ii) if the Company shall be in breach of its obligations under the terms of the convertible bonds (event of default), then up to the time when the convertible bonds become due and repayable to convert, at the conversion price, the whole or any part of the convertible bonds held by the bondholders into conversion shares.

The carrying amounts of convertible bonds approximated their fair value.

As at 31 December 2012, the fair value of the liability component, included in current borrowings, of the convertible bonds was calculated using effective interest method at the rate of 14.00%.

As at 31 December 2012, the fair value of the derivative component of the convertible bonds was calculated using the Monte Carlo Simulation Model. Any change in the major inputs into the Monte Carlo Simulation Model will result in changes in the fair value of the derivative component.

The change in fair value of the convertible bonds during the year resulted in a gain from changes in fair value of approximately RMB 16,283,000 (2011 loss: approximately RMB 4,546,000), which has been recorded as "gain on revaluation of convertible bonds" in the consolidated statement of comprehensive income.

Interest and other expenses of approximately RMB 3,715,000 (2011: RMB 3,851,000) has been recorded in the statement of comprehensive income in respect of the convertible bonds for the year ended 31 December 2012.

13. Short term bank borrowing

	Group and the Company	
	2012	**2011**
	RMB'000	**RMB'000**
Bank borrowing	**3,000**	-

A subsidiary of the Group established a short term bank borrowing with Industrial and Commercial Bank of China (Asia) Limited in China with amount of RMB3,000,000. The borrowing bears interest at a variable rate based on the Bank's Prime Rate. RMB1,500,000 has been settled on 26 April, 2013 as the first instalment of repayment. The remaining RMB1,500,000 will be settled on 18 June, 2013 as the second and final instalment.

14. Other payables and accruals

	2012	2011
	RMB'000	RMB'000
Other payables	13,621	6,830
Accrued expenses	3,643	5,877
	17,264	12,707

15. Dividend

No dividend has been proposed or paid by the Company in respect of the year ended 31 December 2012 (2011: Nil).

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

The Company's auditor, UHY Vocation HK CPA Limited, without qualifying the auditor's report, have considered the adequacy of the disclosures made in the consolidated financial statements as at 31 December 2012 concerning the adoption of the going concern basis on which the financial statements have been prepared and expressed the following statement.

EMPHASIS OF MATTER IN RELATION TO THE GOING CONCERN BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements which indicates that the Group had consolidated net current liabilities of approximately RMB11,928,000 and net liabilities of approximately RMB94,187,000 as at 31 December 2012. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on upon the future funding available, the intention of the Convertible Bonds holders to convert the bonds into Company shares and the attainment of profitable and positive cash flow operations of the Group to meet its future working capital and financial requirements. The consolidated financial statements do not include any adjustments that may be necessary should there be no future funding available and the implementation of proposed measures to improve the Group's financial and cash flow position be unsuccessful.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2012, consolidated turnover amounted to RMB 28,688,000 representing an increase of 58% compared with RMB 18,099,000 of last year. The 2012 consolidated turnover included approximately RMB 11,695,000 was derived from contracted pharmaceutical development services (PDS) and approximately RMB 16,492,000 from contracted clinical research services (VPS) .In terms of revenue structure, the revenue of VPS amounted to 57% of the total revenue, which was increased by 18% compared with that of last year. The revenue of PDS increased by 334% compared with that of last year and amounted to 41% of the total revenue.

The overall gross profit margin was 43% compared with 39% in last year, which was related to the rise of revenue and decreased weight of cost amortised.

Convertible Bonds

On 10 September 2007, Venturepharm Laboratories Limited, issued bonds of an aggregate principal amount of CHF15,000,000 (the "Bonds"), which was expired in 9 September 2012. On 4 September 2012, the Bondholders passed the Resolution to extend the maturity date of the Notes to 10 September 2015 and to alter the coupon applicable in the extended tenor from 3.5% to 4.0%.

The change in fair value of the convertible bonds during the year resulted in a gain from changes in fair value of approximately RMB 16,283,000 in 2012 (2011 loss: approximately RMB 4,546,000), which has been recorded as "gain on revaluation of convertible bonds" in the consolidated statement of comprehensive income.

Interest and other expenses of approximately RMB 3,715,000 (2011: RMB 3,851,000) has been recorded in the statement of comprehensive income in respect of the convertible bonds for the year ended 31 December 2012.

At 31 December 2012, the carrying amounts and fair value of the non-current convertible bonds for the Group amounted approximately of RMB 91,875,000 (2011: RMB 106,786,000).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year, the Group maintained a sound financial position and prudent liquidity risk management, and had sufficient cash to meet the need of its business development.

As at 31 December 2012, the Group had current liabilities of approximately RMB 43,783,000 among which approximately RMB 23,475,000 of receipts in advance from customers. Most of the receipts in advance would be recognised as revenue in 2013 and later years, and will not lead to any cash outflow in future. Excluding receipts in advance the current ratio (current asset/current liabilities) of the Group as at 31 December 2012 was 1.57.

Meanwhile, considering the working capital and long term fund demand for future development, the Group will consider to raise funds through bank loans, issuance of new shares, convertible bonds, and issuance of new debts, etc.

FOREIGN EXCHANGE EXPOSURE

During the year, the Group's transactions were substantially denominated in Renminbi ("RMB"). The Group closely monitors its foreign currency risk from time to time and will use appropriate hedging when necessary.

BUSINESS REVIEW

Aiming at long-term development and based on its business transformation strategy of transforming from a leading technology transfer supplier to an enterprise integrating pharmaceutical development and products commercialization services, the Group continued to expand its product lines and accelerate the establishment of the marketing network so as to rapidly capture its market share.

The Group has managed to establish a comprehensive value-added business mode for whole value chains such as Active Pharmaceutical Ingredient (API), Pharmaceutical Development service (PDS), Clinical Research Service (VPS), regulatory affair (RA) service and post market service (PMS), thereby enhancing the long-term profitability and risk resistance capability of the Group.

SALES AND MARKETING

For the year ended 31 December 2012, the Group had signed 40 new contracts with contract value of approximately RMB 51,989,000 representing a decrease of 11% compared to RMB58,304,000 in 2011 as the Group’s new strategy was accepted by market and customers. Those contracts will generate stable revenue for the Group.

The Group continued its investment in the enhancement of marketing capability and the expansion of market network, and introduced new technologies in the domestic market under the brand of Venturepharm while striving to establish and expand overseas markets under the brand of VPS-CRO.

During the year, the Group not only focused on business expansion, but also paid more attention to the enhancement of brand value and the improvement of professional capability, aiming at becoming a comprehensive and reliable technology and service provider with the most prestigious brand and leading technologies.

Clinical Research Service (VPS)

Taken clinical study as the prime focus, the Group has established the most integrated service in the country, which provides a series of services ranging from phase I clinical and bioequivalence studies, phase II-III clinical studies, and phase IV post-marketing clinical study, to data management and medical statistics, and medical administration related service. Meanwhile, the Group makes a great efforts to improve the professional capability involving the above mentioned services and has preliminarily established 13 professional research institutions including Venturepharm-CBI phase Ⅰ clinical research center, VPS-mart phase IV clinical research and academic promotion center, SAS-Venturepharm data management and medical statistics center, VP-Porsche RA service center, OHH-VP Pacific-Asia clinical research institution for oncology, TangXi-VP Pacific-Asia clinical research institution for Diabetes, CNSVP Psychoneurologic and pain management Pacific-Asia clinical research institution, CV-VP Cardiovascular Pacific-Asia clinical research center, AIDS and hepatitis Pacific-Asia clinical research institution, DermNova Pacific-Asia clinical research institution for dermatosis and gynecologic disease and TCM-VP clinical research center for natural drug and traditional Chinese medicine, etc.

In the meantime, the Group has built a nation-wide network with bases in Beijing, Shanghai and Guangzhou and offices in over 30 provincial capital cities for clinical monitoring and academic promotion, covering over 80% hospitals which have been authorized to conduct clinical research. The Group has the capacity of operating more than 60 phase I and BE projects each year and conducting 50 phase II-III clinical projects simultaneously. Meanwhile, the Group is able to carry out 4 phase IV clinical trials with large sample size (2,000 subjects) at the same period.

PHARMACEUTICAL DEVELOPMENT SERVICE (PDS)

In 2011, the Company changed the business strategy of PDS. The Company had ceased the investment on PDS projects without customer contract and will start a new PDS project only after signing a customer contract.

In 2012， the Company focused on the short term PDS projects with customer contracts, which were comparatively less risky.

PROSPECTS

To capitalize on the opportunity of the increased demand of global R&D outsourcing market, the Group has made the best efforts to improve its service capacities and performance in R&D outsourcing services by providing fully integrated pharmaceutical services which including Active Pharmaceutical Ingredient (API), Pharmaceutical Development service (PDS), Clinical Research Service (VPS), regulatory affair (RA) service and post market service (PMS). In the meantime, the Group believes that as the Government further standardizes and implements its supervision, the market environment will become more favorable to the Group. Meanwhile, the investment from Chinese Government into the scientific research of biologic and pharmaceutical technology will stimulate greatly to the R&D service market. The upcoming new booming age of the pharmaceutical industry will not only present the Group with rare and precious business opportunities, but also considerable return for the shareholders.

CAPITAL STRUCTURE

There has not been any change to the capital structure of the Company since that date.

SIGNIFICANT INVESTMENT

The Company invested its surplus fund through its principal bank in investment market, which was RMB1,815,000.

EMPLOYEES

The Group's remuneration policy is basically determined by the performance of individual employees. In addition to salaries and bonuses, employee benefits included medical and pension contributions and share options schemes.

APPROPRIATION

The Directors do not recommend the payment of final dividend for the year ended 31 December 2012.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board has reviewed the consolidated financial statements for the year, including the accounting principles and new and revised accounting standards adopted by the Company, and discussed matters relating to auditing, internal controls and financial reporting.

The audit committee confirmed the Company's actions on changing the PDS business strategy, reducing staff cost, rental and other operation cost for more efficiently use of fund and suggested the company to consider raising funds through bank loans, issuance of new shares, convertible bonds, and issuance of new debts and other methods etc when needed.

The audit committee considered providing the impairment losses on relevant assets in 2012 was appropriate, comply with prudent principle and reflected current market change, suggested the company to enhance asset management and make more rapid response to market on business strategy.

SUBSTANTIAL SHAREHOLDERS

So far as it is known to any Directors, chief executives of the Company, as at 31 December 2012, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed pursuant to Division 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

Name	Capacity	Number of shares	Approximate percentage of interest
Venturepharm Holdings Inc. (Note 1)	Beneficial owner	149,432,583	41.10
Venturepharm Holdings Inc. (Note 2)	Interest of controlled corporation	15,966,073	4.38
Bright Excel Assets Limited (Note 2)	Beneficial owner	15,966,073	4.38
William Xia GUO (Notes 1, 2 and 3)	Beneficial owner and interest of controlled corporations	184,217,033	50.57

Long positions in shares and underlying shares of the Company

Note 1: Venturepharm Holdings Inc. is 47.63% directly held by Mr. William Xia GUO and 49% held by Mr. William Xia GUO through Winsland Agent Limited, his wholly and beneficially owned company incorporated in the British Virgin Islands.

Note 2: The controlled corporation, Bright Excel Assets Limited, is 100 % beneficially owned by

Venturepharm Holdings Inc.

Note 3: Apart from shares held through Venturepharm Holdings Inc., the interest of 18,818,377 shares comprising of 7,200,000 and 2,508,000 shares underlying the options granted to him under the Pre-IPO Share Option Scheme and Share Option Scheme respectively are beneficially owned by Mr. William Xia GUO.

Save as disclosed above, as at 31 December 2011, there was no other persons who was recorded in the register of the Company as having interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein.

COMPETING INTERESTS

As at 31 December 2012, none of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2012.

BOARD PRACTICE AND PROCEDURES

Since the listing of the Company, the Company has complied with Board Practices and Procedures as set out in Rules5.46 to 5.68 of the GEM Listing Rules.

Delay in Result Announcement

As the Group delayed the publication of the Result Announcement of the company and its subsidiaries for the year ended 31 December 2011, the publication of the Result Announcement of the company and its subsidiaries for the year ended 31 December 2012 was delayed.

CORPORATE GOVERNANCE REPORT

(1) CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and fully complied with the Code Provision as set out in Appendix 15 of the GEM Listing Rules ("CG Code") save with certain deviations in respect of the roles of chairman and chief executive officer.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Company Code for Securities Transactions by Directors of Listed Issuers incompliance with the provisions that are set out in the GEM Listing Rules as its own code of conduct for Directors' dealings of securities since 29 June 2005. Specific enquiries have been made with all Directors and the Directors confirmed that they have complied with the required standard set out in the Company Code throughout the year ended 31 December 2012.

(3) BOARD OF DIRECTORS

The overall governance structure of the Company is set out below:

The Board

Chairman appointed by the board

2 Executive Directors

3 Non-Executive Directors

3 Independent Non-Executive Directors

Executive Directors

William Xia GUO

Maria Xuemei SONG

Audit Committee

3 Independent Non-Executive Directors

WU Shou Yuan (Chairman)

Paul CONTOMICHALOS

ZHANG Jing An

Senior Management

Dr. Tom Tuo JIN, Joint Chief Technology Officer

Note：

(a) The Non-Executive Directors of the Company during the year and up to the date of this report are:

FENG Tao

WU Xin (resigned on 24 May 2012)
LI Jin Liang (appointed on 24 May 2012)
Nathan Xin ZHANG

The Independent Non-Executive Directors of the Company during the year and up to the date of this report are:

WU Shou Yuan
Paul CONTOMICHALOS
ZHANG Jing An

The Board of Directors ("Board") of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.
The Board of the Company comprises a total of eight Directors, with two Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. One-third of the Board is Independent Non-executive Directors and one of them has appropriate professional qualifications. Reviews are made regularly of the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All Independent Non-executive Directors meet the independence guidelines set out in GEM Rule 5.09 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of annual budgets and business plans; evaluating the performance of the Group; and oversight of management. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. All Directors have been consulted about any matters proposed for inclusion in the agenda. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receives adequate and reliable information in a timely manner.

Regular Board meetings of the year are scheduled in advance to give all Directors an opportunity to attend. Four regular Board meetings at approximately quarterly intervals have been scheduled for 2012. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association. Board papers are circulated not less than seven days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and the Qualified Accountant shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information of the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. Minutes of the board meetings are kept by the Company Secretary and are open for inspection by Directors.

During the twelve months ended 31 December 2012, the Board met and held four meetings in 2012. The attendance records of the aforementioned four Board meetings are set out below:

Attendance of individual directors at board meetings during the year

	Attendance no.	Attendance rate
Executive Director		
William Xia GUO	4/4	100%
Maria Xuemei SONG	4/4	100%
Non-executive Directors		
FENG Tao	4/4	100%
WU Xin (resigned on 24 May 2012)	2/4	50%
LI Jin Liang (appointed on 24 May 2012)	2/4	50%
Nathan Xin ZHANG	4/4	100%
Independent Non-executive Directors		
WU Shou Yuan	4/4	100%
Paul CONTOMICHALOS	4/4	100%
ZHANG Jing An (appointed on 26 Dec 2011)	4/4	100%

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Chairman of the Board is responsible for the leadership and effective running of the Board, and ensures that all keys and appropriate issues are discussed by the Board in a timely and constructive manner.

However, the Chief Executive Officer of the Company has not yet been appointed. Currently, the day-to-day management of the Company's business is handled by the executive directors and senior management, who take the responsibility to run the Group's business and to implement the Group's strategy so as to achieve the overall commercial objectives of the Company.

(5) REMUNERATION OF DIRECTORS

Currently, the Remuneration Committee comprises the Chairman of the Board Mr. William Xia GUO, a Non-executive Director Mr. FENG Tao and an Independent Non-executive Director Mr. Paul CONTOMICHALOS. Mr. William Xia GUO is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

(6) NOMINATION OF DIRECTORS

In accordance with the Company's Articles of Association, nomination of Directors is determined by the Board with approvals by the shareholders in the general meeting.

(7) AUDITORS' REMUNERATION

The coming annual general meeting should approve the re-appointment of UHY Vocation HK CPA Limited as the auditor of the Group and that the Board is and be hereby authorised to fix auditors' remuneration.

(8) AUDIT COMMITTEE

The audit committee was established with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, half-yearly reports and quarterly reports and internal control system of the Group and provide advice and comments to the Board. The audit committee has three members comprising the three Independent Non-executive Directors, Mr. WU Shou Yuan, Mr. Paul CONTOMICHALOS and Mr. ZHANG Jing An. Mr. WU Shou Yuan is the chairman of the audit committee.

During the twelve months ended 31 December 2012, the audit committee held three meetings and reviewed the Group's annual report, quarterly and interim financial results. The attendance records of the aforementioned five audit committee meetings are set out below:

Attendance of member at audit committee meetings during the year

	Attendance no.	Attendance rate
Members		
WU Shou Yuan (appointed on 27 Dec 2011)	3/3	100%
Paul CONTOMICHALOS	3/3	100%
ZHANG Jing An (appointed on 27 Dec 2011)	3/3	100%

(9) DIRECTORS' ACKNOWLEDGEMENT OF THEIR RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that they take full responsibility in the preparation of the financial statements.

As at the date of this announcement, the board of Directors comprises:

Executive directors:
Mr. William Xia GUO
Dr. Maria Xue Mei SONG

Non-executive Directors:
Dr. FENG Tao
Mr. LI Jin Liang
Dr. Nathan Xin ZHANG

Independent Non-executive Directors:
Mr. WU Shou Yuan
Mr. Paul CONTOMICHALOS
Mr. ZHANG Jing An

By order of the Board
VENTUREPHARM LABORATORIES LIMITED
William Xia GUO

29 May 2013, Beijing

This announcement will remain on the GEM website at http://www.hkgem.com "the Latest Company Announcements" page for at least 7 days from the day of its posting.