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 2009

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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 investor should be aware of the potential risk 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 othersophisticated investors.

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This announcement, for which the directors (the ''Directors'') of Venturepharm Laboratories Limited (the ''Company'') collectively and individually accept 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 Company. 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 directors (the “**Directors**”) of Venturepharm Laboratories Limited (the “**Company**”) hereby announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	2009 RMB'000	2008 RMB'000
Revenue	2	47,308	39,186
Cost of sales		(20,674)	(23,804)
Gross profit		26,634	15,382
Administrative expenses		(17,304)	(47,544)
Other income	3	2,197	12,315
Operating profit/(loss)		11,527	(19,847)
Finance income	4	1,084	573
Finance costs	4	(6,301)	(7,968)
Finance costs – net	4	(5,217)	(7,395)
Profit/(loss) before income tax		6,310	(27,242)
Income tax	6	(277)	9,930
Profit/(loss) for the year		6,033	(17,312)
Other comprehensive income		-	-
Total comprehensive income		6,033	(17,312)
Attributable to:			
Equity holders of the Company		6,276	(16,354)
Minority interest		(243)	(958)
		6,033	(17,312)
Basic and diluted earnings/(loss) per share	7	1.73 CENTS	(4.52) CENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		9,668	10,920
New drugs technology		9,374	10,445
Deferred tax assets		7,720	8,128
		26,762	29,493
Current assets			
Work-in-progress		60,650	56,286
Trade receivables	8	15,223	13,200
Prepayments and other receivables		34,998	34,435
Financial assets at fair value through profit or loss	9	58,465	46,684
Cash and cash equivalents		14,087	6,711
		183,423	157,316
Total assets		210,185	186,809
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary shares		38,469	38,407
Reserves		73,058	66,329
		111,527	104,736
Minority interest		1,377	1,620
Total equity		112,904	106,356
LIABILITIES			
Non-current liabilities			
Borrowings		78,333	65,785
Current liabilities			
Other payables and accruals	10	13,368	8,161
Receipt in advance		3,582	4,378
Income tax liabilities		1,998	2,129
		18,948	14,668
Total liabilities		97,281	80,453
Total equity and liabilities		210,185	186,809
Net current assets		164,475	142,648
Total assets less current liabilities		191,237	172,141

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to equity holders of the company									
	Share Capital RMB'000	Share-based payment reserve RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Statutory enterprise expansion fund RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008	38,160	2,853	6,039	900	3,803	6,986	61,903	120,644	2,592	123,236
Comprehensive income										
Loss for the year	-	-	-	-	-	-	(16,354)	(16,354)	(958)	(17,312)
Transactions with owners										
Share premium for exercise of share option	-	-	-	199	-	-	-	199	-	199
New issue of shares	196	-	-	-	-	-	-	196	-	196
Issue of ordinary shares pursuant to exercise of share options	51	-	-	-	-	-	-	51	-	51
Exercise of share option	-	(87)	-	87	-	-	-	-	-	-
Total contributions by and distributions to owners	247	(87)	-	286	-	-	-	446	-	446
Disposal of interest in a subsidiary with minority shareholders	-	-	-	-	-	-	-	-	(14)	(14)
Total transactions with owners	**247**	**(87)**	**-**	**286**	**-**	**-**	**-**	**446**	**(14)**	**432**
At 31 December 2008 and at 1 January 2009	38,407	2,766	6,039	1,186	3,803	6,986	45,549	104,736	1,620	106,356
Comprehensive income										
Profit/(loss) for the year	-	-	-	-	-	-	6,276	6,276	(243)	6,033
Transactions with owners										
Employee share option benefits	-	227	-	-	-	-	-	227	-	227
Share premium for exercise of share option	-	-	-	226	-	-	-	226	-	226
Issue of ordinary shares pursuant to exercise of share option	62	-	-	-	-	-	-	62	-	62
Exercise of share option	-	(47)	-	47	-	-	-	-	-	-
Total transactions with owners	**62**	**180**	**-**	**273**	**-**	**-**	**-**	**515**	**-**	**515**
At 31 December 2009	**38,469**	**2,946**	**6,039**	**1,459**	**3,803**	**6,986**	**51,825**	**111,527**	**1,377**	**112,904**

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of 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 preparation of financial statements in conformity with HKFRS 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.

Impact of new and revised ("HKFRSs")

(a) The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements:-

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS1 & HKAS 27 (Amendments)	Cost of Investment in a Subsidiary, Jointly controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives and Financial Instrument: Recognition and Measurement
HK (IFRIC) - Int 13	Customer Loyalty Programmes
HK (IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) - Int 18	Transfer of Assets from Customers

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.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HKAS 24 (Revised)	Related Party Disclosures (Revised 2009)[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Presentation - Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HK(IFRIC)-Int 14 (Amendment)	Prepayment of a Minimum Funding Requirment[6]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]
HK-Int 4 (Amendment)	Determination of Length of Lease Term in respect of Hong Kong Land Leases[3]

In May 2009, the HKICPA issued Improvements to HKFRSs* which set out amendments to HKFRSs, primarily with a view to removing inconsistencies and clarifying wording. The Group expects to adopt the amendments to HKFRSs from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of them may result in changes in accounting policy, none of these amendments are expected to have a material financial impact on the Group.

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

2. Revenue and segment information

Breakdown of the revenue from all services is as follows:

	2009 RMB'000	2008 RMB'000
Analysis of revenue by category		
Transfer to technology for new drugs and new drugs development	3,928	4,204
Contracted pharmaceutical development services and clinical research services associated with technology transferred by the Group	11,978	11,476
Contracted pharmaceutical development services and clinical research services not associated with technology transferred by the Group	23,844	19,743
Import registration services	1,411	554
Royalty income	5,640	2,749
Sales of active pharmaceutical ingredients products	507	460
	47,308	39,186

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

	2009 RMB'000	2008 RMB'000
Government subsidy	184	197
Subsidies received from third parties	291	-
Financial assets at fair value through profit or loss		
– fair value losses	-	(23,461)
– fair value gains	4,780	913
Dividend income	133	214
Business tax refund	159	205
(Loss)/gain on revaluation of corporate bond	(9,996)	30,404
Profit on disposal of financial assets	6,286	3,538
Others	360	305
	2,197	12,315

During the year, the Group received RMB184,000 of government subsidy (2008: RMB197,000) towards the research and development projects.

4. Finance income and costs

	2009 RMB'000	2008 RMB'000
Interest expense:		
– Bank charges	(28)	(53)
– Exchange loss	(1,878)	(3,687)
– Interest on margin financing	(481)	(237)
– Convertible bond interest	(3,317)	(3,397)
– Convertible bond expenses	(597)	(594)
Finance costs	(6,301)	(7,968)
Finance income		
– Interest income from short term bank deposits	1,084	573
Finance income	1,084	573
Net finance costs	(5,217)	(7,395)

5. Expenses by nature

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

	2009 RMB'000	2008 RMB'000
Cost of material consumed	14,246	12,098
Depreciation	1,834	2,747
Amortisation of new drugs technology including in administrative expenses	1,071	1,741
Auditors' remuneration	641	624
Employee benefit expenses	13,402	18,725
Operating lease payment	2,332	2,256
Loss on disposal of property plant and equipment	-	282
Provision for doubtful debt	1,245	19,492
Impairment loss of intangible assets	-	7,465

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 (2008: Nil).

PRC enterprise income tax has been calculated on the estimated assessable profit for the year according to the relevant laws and regulations.

Beijing Dezhong-Venture Pharmaceutical Technology Development Co., Ltd. ("Dezhong VP") and Beijing New Dezhong-Venture Pharmaceutical Technology Development Co.,Ltd.("New Dezhong VP"), subsidiaries of the Company, qualify as foreign investment industrial and high technology enterprises and are subject to PRC enterprise income tax at a rate of 20 per cent (2008: 15 per cent) on its income after offsetting prior year's losses.

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

	2009 RMB'000	2008 RMB'000
PRC enterprise income tax		
- current year	1,998	2,129
- over-provision in prior years	(2,129)	(3,931)
Deferred taxation	408	(8,128)
	277	(9,930)

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:

	2009 RMB'000	2008 RMB'000
Profit/(loss) before tax	6,310	(27,242)
Calculated at a taxation rate of 20% (2008: 15%)	1,262	(4,086)
Different taxation rates	2,113	(1,668)
Income not subject to taxation	-	(245)
Change in deferred tax assets in respect of change in preferential tax rate	(969)	-
Over-provision in prior years	(2,129)	(3,931)
Taxation	277	(9,930)

The National People's Congress approved the Corporate Income Tax Law of the PRC (the new "CIT Law") on 16 March 2007 and the State Council announced the Detail Implementation Regulations ("DIR") on 6 December 2007, which was effective from 1 January 2008. According to the new CIT Law, the income tax rates for both domestic and foreign investment enterprises will be unified at 25% effective from 1 January 2008. However, for enterprises which were established before the publication of the new CIT Law and were entitled to preferential treatments of reduced CIT tax rate granted by relevant tax authorities, the new CIT rate may be gradually increased to 25% within 5 years after the effective date of the new CIT Law. For the region that enjoys a reduced CIT rate at 15%, the new CIT rate will gradually increase to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to grandfathering rules stipulated in the DIR and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

7. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

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

	2009 RMB'000	2008 RMB'000
Profit/(loss) attributable to equity holders of the Company	6,276	(16,354)
Weighted average number of ordinary shares in issue (thousands)	362,810	361,735

(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 433,445,000 (2008: 441,402,000) 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 70,635,000 (2008: 79,667,000) shares, calculated as follows:

	2009 RMB'000	2008 RMB'000
Profit/(loss) attributable to equity holders of the Company	6,276	(16,354)
Interest expense on convertible bond (net of tax)	3,317	3,397
Profit/(loss) used to determine diluted earnings per share	9,593	(12,957)
Weighted average number of ordinary shares in issue (thousands)	362,810	361,735
Adjustment for:		
- Effect of deemed issue of ordinary shares under the Company's Share option schemes and the conversion of convertible bond (thousands)	70,635	79,667
Weighted average number of ordinary shares for diluted earnings per share (thousands)	433,445	441,402

No diluted profit/(loss) per share for the years ended 31 December 2009 and 2008 is presented as the assumed effect of share option schemes and the conversion of convertible bond would result in a increase/(decrease) in profit/(loss) per share.

8. Trade receivables

The fair value of trade receivables are as follows:

	2009 RMB'000	2008 RMB'000
Trade receivables	35,960	32,692
Less: provision for impairment of receivables	(20,737)	(19,492)
Trade receivables – net	15,223	13,200

The Group allows an average credit period of 90 days to its trade customers. As 31 December 2009 and 2008, the ageing of the trade receivables based on invoice date were as follows:

	2009 RMB'000	2008 RMB'000
1-30 days	3,307	324
31 -60 days	1,009	-
61-90 days	1,695	-
91-180 days	1,060	-
Over 180 days	8,152	12,876
	15,223	13,200

As at 31 December 2009, trade receivables of RMB9,212,000 (2008: RMB12,876,000) 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 past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not held any collateral over these balances. The ageing analysis of these trade receivables is as follows:

	2009 RMB'000	2008 RMB'000
91-180 days	1,060	-
Over 180 days	8,152	12,876
	9,212	12,876

As of 31 December 2009, trade receivables of RMB1,245,000 (2008: RMB19,492,000) were impaired and provided for. The amount of the provision was RMB20,737,000 as at 31 December 2009 (2008: RMB19,492,000). 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 to be recovered. The ageing of these receivables is as follows:

	2009 RMB'000	2008 RMB'000
Over 180 days	1,245	19,492

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

	2009 RMB'000	2008 RMB'000
At 1st January	19,492	12,530
Provision for receivable impairment	1,245	19,492
Bad debt written off	-	(12,530)
At 31st December	20,737	19,492

The other classes within trade receivables do not contain impaired assets.

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.

9. Financial assets at fair value through profit or loss

	2009 RMB'000	2008 RMB'000
Dual currency investment	8,800	11,285
Investment funds	7,838	5,959
Bond	3,414	3,417
Shares	38,413	25,190
Investment held for resale	-	833
Total	58,465	46,684

The fair value of all investment funds 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:

	2009 RMB'000	2008 RMB'000
Renminbi	-	833
HK dollars	33,765	21,013
US dollars	24,700	24,838
	58,465	46,684

10. Other payables and accruals

	2009 RMB'000	2008 RMB'000
Other payables	12,113	6,766
Accrued expenses	1,255	1,395
	13,368	8,161

11. Dividend

Subsequent to the balance sheet date, no dividend (2008: Nil) has been proposed by the Board of Directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2009, consolidated turnover amounted to RMB47,308,000 representing an increase of 21% compared to RMB39,186,000 of last year, of which, approximately RMB11,978,000 was derived from contracted pharmaceutical development services and clinical research services associated with technology transferred by the Group, approximately RMB23,844,000 from contracted pharmaceutical development services and clinical research services not associated with technology transferred by the Group (CRS), and approximately RMB5,640,000 from franchise commercialization.

In terms of revenue structure, the royalty income received achieved 105% increase, reflecting the Group's consideration for long term benefit and the strategic disposition of enforcing the project transfer of franchise commercialization and developing international business. The revenue of CRS reaches about 50% of the total revenue, which was increased by 21% compared with that of last year.

The overall gross profit margin increased by 17% from 39% in last year to 56% in the current year. The principal reason is due to our adjustment on the contract price in order to keep our business on ongoing basis after the financial crisis circumstance. General and administrative expenses amounted to RMB17,304,000 representing a decrease of 64% compared to RMB47,544,000 in 2008, and is attributable to the effective cost control. Finance costs amounted to RMB5,217,000 representing an decrease of 29% compared to RMB7,395,000 in 2008, due to the increase in interest income and a more effective control on the exchange gain and loss.

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 2009, the Group had current assets of approximately RMB183,423,000, among which RMB14,087,000 was cash and cash equivalents. The Group had no short-term bank loan and maintained sufficient cash.

FOREIGN EXCHANGE EXPOSURE

During the period under review, the Group's transactions were substantially denominated in Renminbi ("RMB"). In view of the RMB appreciation trend, the Group engaged in risk-free value-added banking activities in due course and transferred its USD-denominated businesses to RMB-denominated businesses according to the relevant business scale. 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, 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 value chains such as API, formulation and analysis technology, pre-clinical research, clinical trial, regulatory affair (RA) service and franchise commercialization, and further explored the service capacity of small molecular research and biologic product research through the acquisition of CBI, thereby enhancing the profitability and risk resistance capability of the Company, and enabling the Company to secure long-term stable profitability in future.

SALES AND MARKETING

For the year ended 31 December 2009, the Group has signed 17 PDS contracts with contract value of RMB29,988,000 and 21 VPS contracts with contract value of approximately RMB39,322,886 aggregating to RMB69,310,886 in total. The international business has achieved an encouraging growth. Eight international contracts covering pharmaceutical R & D outsourcing, clinical services, etc. were signed. The revenue for import registration service is RMB1,411,000, which increase 155% comparing with year 2008.

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 period, 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 (2000 subjects) at the same period. In addition, there are 12 projects for import drug registration on going.

PRE-CLINICAL SERVICE

The Group is establishing Venturepharm Asia CMC Drug Evaluation Center, a GLP standardized pre-clinical laboratory with a total area of 50,000 m^2, which will become the Asia's largest pre-clinical laboratory after is construction. The center to be completed, currently under construction, will adopt the international standard in the aspects of construction designing, process distribution, facility selection and installation, staff level and system constitution. The center is planned to undertake 30% of R&D outsourcing contracts from CBI, which not only satisfies the needs of high-end clients from Europe and America, but also provide services to medium and small sized enterprises from domestic and abroad. The center mainly includes the platforms as Drug Discovery Platform, Toxicology Platform, Pathology Platform and Animal Model Platform.

PHARMACEUTICAL DEVELOPMENT SERVICE (PDS)

The Group's portfolio for technology R&D and transfer covers 13 major and high growth therapeutic areas such as endocrine, CNS, cardiovascular disease, dermatosis, cancer, AIDS, allergy and antibiotics. Several of its products are introduced to the domestic market for the first time and are exclusive products. Furthermore, several advanced technology platforms have been established for drug synthesis, pharmaceutical analysis and drug delivery systems.

Along with a reinforced investment, the Group's R&D strength continues to maintain a leading position in the industry. Under the circumstance of such strict and delayed review by State Food and Drug Administration (SFDA), the Group still obtained 10 new Clinical Study Permits (CSPs) and 11 Manufacturing Permits (MPs), maintaining the No.1 position in China. For the year ended 31 December 2009, the total number of CSPs obtained by the Group accumulated to 314 and the total number of MPs accumulated to 128.

VP-DISCOVERY

Venturepharm Asia Innovation Center is the research center of CBI in China, with an area of 20,000 m^2. It utilises the most advanced facilities and equipment to provide the research services as small molecular designing, high throughput chemistry, peptide synthesis and biologic products services such as DNA testing. The center has carried out trials up to now.

API

Aside from technologic transfer projects, the business of API is developing in a comprehensive way. Despite that API’s sales revenue accounts for only 1% of the total revenue, it is able to provide integrated services including custom synthesis, API and intermediate marketing and API related services. It is believed that API business could realise a dramatic growth in 2010.

PATENTS

The Group has always placed great emphasis on the protection of intellectual property rights. Since its incorporation and up to 31 December 2009, the Group has applied over 500 patents.

PROSPECTS

To capitalize on the opportunity of the increased demand of global R&D outsourcing market, the company has made best efforts to improve its service capacities and performance in R&D outsourcing service by providing fully integrated pharmaceutical services that include drug discovery, API (Active Pharmaceutical Ingredient), PDS (Pharmaceutical Development Service), Rre-clinical research, CRS (Contract Research Service), RAS (Regulatory Affairs Service), CMS (Contract Manufacturing Service) and CSS (Contract Sales Service). 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 given its competitive edge. Meanwhile, the investment from Chinese government into the scientific research of biologic and pharmaceutical technology, with the investment of RMB6.6 billion into major new drug research included, 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 funds, which was RMB58,465,000.

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 2009 and propose that the profit for the year be retained.

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 a financial reporting.

SUBSTANTIAL SHAREHOLDERS

So far as it is known to any Directors, chief executives of the Company, as at 31 December 2009, 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	41.11
Venturepharm Holdings Inc. (Note 2)	Interest of controlled corporation	15,966,073	4.39
Bright Excel Assets Limited (Note 2)	Beneficial owner	15,966,073	4.39
William Xia GUO (Notes 1, 2 and 3)	Beneficial owner and interest of controlled corporations	182,069,033	50.09

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 49.00% 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 16,310,377 shares comprising of 7,200,000 and 360,000shares 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 2009, 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 336of Part XV of the SFO, to be entered in the register referred to therein.

COMPETING INTERESTS

As at 31 December 2009, 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 2009.

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.

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 2009.

(3) BOARD OF DIRECTORS

The overall governance structure of the Company is setout 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

Wang Hong Bo (Chairman)

Paul CONTOMICHALOS

Wu Ming Yu

Senior Management

Dr. Tarun GUPTA, Co-head of the Group Business Development

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

Nathan Xin ZHANG

(b) Apart from Nathan Xin ZHANG and Wang Hong Bo, who do not have a service contract, each of the Directors has entered into a service contract with the Company for three years from 10 July 2003 (the "Listing Date"). Each of the Executive Directors and Non-executive Directors was appointed as Director of the Company respectively subject to termination in certain circumstances as stipulated in the relevant service contracts, if applicable.

(c) Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation(other than statutory compensation).

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 Rule 3.13 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 2008. 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 on 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 2009, the Board met and held four meetings in March, May, August and November 2009. 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	4/4	100%
Nathan Xin ZHANG	4/4	100%
Independent Non-executive Directors		
WANG Hong Bo	4/4	100%
Paul CONTOMICHALOS	4/4	100%
WU Ming Yu	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. WANG Hong Bo, Mr. Paul CONTOMICHALOS and Mr. WU Ming Yu. Mr. WANG Hong Bo is the chairman of the audit committee.

The audit committee holds meetings on quarterly basis. During the twelve months ended 31 December 2009, the audit committee held four meetings and reviewed the Group's annual report, quarterly and interim financial results. The attendance records of the aforementioned four audit committee meetings are set out below:

Attendance of member at audit committee meetings during the year

	Attendance no.	Attendance rate
Members		
WANG Hong Bo	4/4	100%
Paul CONTOMICHALOS	4/4	100%
WU Ming Yu	4/4	100%

(9) DIRECTORS' ACKNOWLEDGEMENT OF THEIRRESPONSIBILITY 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. WU Xin
Dr. Nathan Xin ZHANG

Independent Non-executive Directors:
Mr. WANG Hong Bo
Mr. Paul CONTOMICHALOS
Mr. WU Ming Yu

By order of the Board
VENTUREPHARM LABORATORIES LIMITED
William Xia GUO

25th March 2010, Hong Kong

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.