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 2010

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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 that the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2010, together with the comparative figures for the year ended 31 December 2009 as follows:

HIGHLIGHT

1 . For the year ended 31 December 2010, consolidated turnover amounted to RMB37,687,000 representing a decrease of 20% compared with RMB47,308,000 of last year .

2 . For the year ended 31 December 2010, the loss before income tax was RMB 55,422,000 compared with profit of RMB 6,310,000 of last year. The loss in 2010 was mainly contributed to the loss of total RMB 70,604,000 without direct cash flow out as followed compared with the loss of same items of total RMB13,119,000 included in Profit of last year, including loss on revaluation of convertible bond RMB 22,193,000 (2009: RMB 9,996,000), provision for impairment losses of trade receivable RMB 9,747,000 (2009: RMB 1,245,000), provision for impairment losses of work-in-progress RMB14,451,000, impairment loss on financial assets at fair value through profit or loss RMB10,185,000, exchange loss RMB9,818,000 (2009: RMB 1,878,000) and provision for impairment of intangible assets RMB4,210,000. Excluding the items listed above for both 2010 and 2009, the profit before income tax for 2010 should be RMB 15,182,000 representing a decrease of 22% compared with RMB19,429,000 of last year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Revenue	2	37,687	47,308
Cost of sales		(16,317)	(20,674)
Gross profit		21,370	26,634
Administrative expenses		(62,592)	(17,304)
Other income	3	22,556	12,193
Finance costs – net	4	(14,563)	(5,217)
(Loss)/profit before income tax		(55,422)	6,310
Income tax	6	(1,838)	(277)
Total comprehensive (loss)/profit for the year		(57,260)	6,033
(Loss)/profit attributable to:			
Owners of the parent		(56,928)	6,276
Non-controlling interests		(332)	(243)
		(57,260)	6,033
Basic and diluted (loss)/earnings per share (RMB cents)	7	(15.66)	1.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		16,738	9,668
New drugs technology		-	9,374
Deferred tax assets		5,340	7,720
		22,078	26,762
Current assets			
Work-in-progress		58,849	60,650
Trade receivables	8	10,347	15,223
Prepayments and other receivables		41,828	34,998
Financial assets at fair value through profit or loss	9	60,138	58,465
Cash and cash equivalents		6,910	14,087
		178,072	183,423
Total assets		200,150	210,185
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary shares		38,469	38,469
Reserves		16,811	73,058
		55,280	111,527
Non-controlling interests		1,045	1,377
Total equity		56,325	112,904
LIABILITIES			
Non-current liabilities			
Borrowings		108,005	78,333
Current liabilities			
Other payables and accruals	10	31,153	13,368
Receipt in advance		3,221	3,582
Income tax liabilities		1,446	1,998
		35,820	18,948
Total liabilities		143,825	97,281
Total equity and liabilities		200,150	210,185
Net current assets		142,252	164,475
Total assets less current liabilities		164,330	191,237

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	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/ (Accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 options	62	-	-	-	-	-	-	62	-	62
Exercise of share option	-	(47)	-	47	-	-	-	-	-	-
Total transactions with owners	**62**	**180**	**-**	**273**	**-**	**-**	**-**	**515**	**-**	**515**
At 31 December 2009 and at 1 January 2010	**38,469**	**2,946**	**6,039**	**1,459**	**3,803**	**6,986**	**51,825**	**111,527**	**1,377**	**112,904**
Comprehensive income										
Loss for the year	-	-	-	-	-	-	(56,928)	(56,928)	(332)	(57,260)
Transactions with owners										
Employee share option benefits	-	681	-	-	-	-	-	681	-	681
Total transactions with owners	**-**	**681**	**-**	**-**	**-**	**-**	**-**	**681**	**-**	**681**
At 31 December 2010	**38,469**	**3,627**	**6,039**	**1,459**	**3,803**	**6,986**	**(5,103)**	**55,280**	**1,045**	**56,325**

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 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 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:-

HKFRS (Amendments)	Improvement to HKFRS issued in 2010 in relation to amendments to HKAS 1 Presentation of Financial Statements
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners
HK-Int 4 (Amendments)	Determination of Length of Lease Term in respect of Hong Kong Land Leases
HK-Int 5	Presentation of Financial Statements - Classification by

the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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 (Amendment)	Improvements to HKFRSs issued in 2010[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendment)	Deferred Tax : Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Presentation - Classification of Right Issues[1]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirment[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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 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 February 2010

[2] Effective for annual periods beginning on or after 1 July 2010

[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

[4] Effective for annual periods beginning on or after 1 January 2011

[5] Effective for annual periods beginning on or after 1 July 2011

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

[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:

	2010 RMB'000	2009 RMB'000
Analysis of revenue by category		
Contracted clinical research services (VPS)	26,755	24,814
Contracted pharmaceutical development services (PDS)	4,316	14,936
Import registration services (IRS)	1,013	1,411
Royalty income	5,400	5,640
Sales of active pharmaceutical ingredients products (API)	203	507
	37,687	47,308

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

	2010 RMB'000	2009 RMB'000
Government subsidy	1,077	184
Subsidies received from third parties	-	291
Financial assets at fair value through profit or loss – fair value gains	19,666	4,780
Dividend income	331	133
Business tax refund	-	159
Profit on disposal of financial assets	650	6,286
Compensation income	632	-
Gain on disposal of a subsidery	162	
Others	38	360
	22,556	12,193

During the year, the Group received RMB1,077,000 of government subsidy (2009: RMB184,000) towards the research and development projects.

4. Finance income and costs

	2010 RMB'000	2009 RMB'000
Finance costs:		
– Exchange loss	(9,818)	(1,878)
– Interest on margin financing	(960)	(481)
– Convertible bond interest	(3,422)	(3,317)
– Convertible bond expenses	(597)	(597)
– Others	(31)	(28)
	(14,828)	(6,301)
Finance income:		
– Interest income from short term bank deposits	7	1,084
– Loan interest income	258	-
	265	1,084
Finance costs – net	(14,563)	(5,217)

5. Expenses by nature

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

	2010 RMB'000	2009 RMB'000
Cost of sales	16,317	20,674
Depreciation	3,598	1,834
Amortisation of new drugs technology including in administrative expenses	2,342	1,071
Auditors' remuneration	1,153	641
Employee benefit expenses	16,961	13,402
Operating lease payment	2,492	2,332
Provision for impairment losses of trade receivable	9,747	1,245
Provision for impairment losses of work-in-progress	14,451	-
Impairment loss on financial assets at fair value through profit or loss	10,185	-
Provision for impairment of intangible assets	4,210	-

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 (2009: 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 25% as at 31 December 2010 (2009: 25%).

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

	2010 RMB'000	2009 RMB'000
PRC enterprise income tax		
- current year	1,455	1,998
- over-provision in prior years	(1,997)	(2,129)
Deferred taxation	2,380	408
	1,838	277

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

	2010 RMB'000	2009 RMB'000
(Loss)/profit before tax	(55,422)	6,310
Calculated at a tax rate of 25% (2009: 25%)	(13,856)	1,578
Effect of differential tax rate of overseas entities	10,106	1,797
Unrecognised tax losses	985	-
Change in deferred tax assets in respect of change in preferential tax rate	-	(969)
Derecognition of previously recognized deferred tax assets	4,376	-
Expenses not deductible for taxation purpose	2,521	-
Over-provision in prior years	(1,997)	(2,129)
Others	(297)	-
Taxation	1,838	277

7. (Loss)/Earnings per share

(a) Basic (loss)/ earnings per share

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

	2010 RMB'000	2009 RMB'000
(Loss)/profit attributable to equity holders of the Company	(56,928)	6,276
Weighted average number of ordinary shares in issue (thousands)	363,512	362,810

(b) Diluted (loss)/earnings per share

The calculation of the diluted (loss)/earnings per share for the year is based on the (loss)/profit attributable to ordinary equity shareholders and adjusted to eliminate the interest expense less the tax effect. The weighted average number of 430,180,000 (2009: 433,445,000) 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 66,668,000 (2009: 70,635,000) shares, calculated as follows:

	2010 RMB'000	2009 RMB'000
(Loss)/profit attributable to equity holders of the Company	(56,928)	6,276
Interest expense on convertible bond (net of tax)	3,422	3,317
(Loss)/profit used to determine diluted earnings per share	(53,506)	9,593
Weighted average number of ordinary shares in issue (thousands)	363,512	362,810
Adjustment for:		
- Effect of deemed issue of ordinary shares under the Company's Share option schemes and the conversion of convertible bond (thousands)	66,668	70,635
Weighted average number of ordinary shares for diluted earnings per share (thousands)	430,180	433,445

No diluted (loss)/profit per share for the years ended 31 December 2010 and 2009 is presented as the assumed effect of share option schemes and the conversion of convertible bond would result in a decrease/(increase) in (loss)/profit per share.

8. Trade receivables

	2010 RMB'000	2009 RMB'000
Trade receivables	40,831	35,960
Less: provision for impairment of receivables	(30,484)	(20,737)
Trade receivables – net	10,347	15,223

The Group allows an average credit period of 90 days to its trade customers. As 31 December 2010 and 2009, the ageing of the trade receivables net of provision for impairment based on invoice date were as follows:

	2010 RMB'000	2009 RMB'000
1-30 days	3,217	3,307
31 -60 days	485	1,009
61-90 days	2,430	1,695
91-180 days	425	1,060
Over 180 days	3,790	8,152
	10,347	15,223

As at 31 December 2010, trade receivables of RMB4,215,000 (2009: RMB9,212,000) 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.

As of 31 December 2010, trade receivables of RMB9,747,000 (2009: RMB1,245,000) were impaired and provided for. The amount of the provision was RMB30,484,000 as at 31 December 2010 (2009: RMB20,737,000). 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 recoverable.

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

	2010 RMB'000	2009 RMB'000
At 1 January	20,737	19,492
Provision for impairment of receivables	9,747	1,245
At 31 December	30,484	20,737

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

	2010 RMB'000	2009 RMB'000
Foreign currency bond fund	4,433	8,800
Investment funds	-	7,838
Bond	-	3,414
Shares	55,705	38,413
Total	60,138	58,465

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:

	2010 RMB'000	2009 RMB'000
HK dollars	55,705	33,765
US dollars	4,433	24,700
	60,138	58,465

10. Other payables and accruals

	2010 RMB'000	2009 RMB'000
Other payables	28,481	12,113
Accrued expenses	2,672	1,255
	31,153	13,368

11. Dividend

No dividend has been proposed or paid by the Company in respect of the year ended 31 December 2010 (2009: RMB: Nil).

12. Comparatives

Certain comparative amounts have been reclassified to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2010, consolidated turnover amounted to RMB37,687,000 representing a decrease of 20% compared with RMB47,308,000 of last year. The 2010 consolidated turnover included approximately RMB4,316,000 was derived from contracted pharmaceutical development services (PDS), approximately RMB26,755,000 from contracted clinical research services (VPS), and approximately RMB5,400,000 from franchise commercialization.

In terms of revenue structure, the revenue of VPS amounted to 71% of the total revenue, which was increased by 8% compared with that of last year. The revenue of PDS deceased by 71% and the revenue of royalty income decreased by 4% compared with that of 2009. As there was a significant change in the Chinese Government's policies and regulations in drug approval, especially the newly released GMP regulation (revised in 2010 and effective in 2011), which led to the increase in rigidity and cautiously in government approval and increased the timing and risk in new drug development, the revenue of PDS dropped significantly in 2010.

The overall gross profit margin was 57% compared with 56% in last year. General and administrative expenses amounted to RMB62,592,000 representing an increase of 262% compared with RMB17,304,000 in 2009, and the increase was mainly attributable to the provision for impairment of new drugs technology, work-in-progress and account receivables related to PDS projects, reflecting the influence of changes in Chinese government's policies and regulations mentioned before. Finance costs amounted to RMB14,868,000 representing an increase of 135% compared to RMB6,301,000 in 2009, due to the significant increase in exchange loss.

Convertible Bonds

On 10 September 2007, Venturepharm Laboratories Limited, issued bonds of an aggregate principal amount of CHF15,000,000 (the "Bonds"), which will be expired in 9 September 2012.

Because of the fair value change and exchange rate change in 2010, approximately total loss of RMB 29,129,000 related to the bonds, in which loss on fair value change of the Bonds was approximately RMB 22,193,000 and exchange loss of the Bonds was approximately RMB 6,936,000 was contributed to 53% total loss before tax of RMB 55,422,000 in 2010.

At 31 December 2010, the carrying amounts and fair value of the non-current convertible bonds for the Group amounted to approximately of RMB108,005,000 (2009: RMB78,333,000).

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 2010, the Group had current assets of approximately RMB178,072,000, among which RMB6,910,000 was cash and cash equivalents. The Group had maintained sufficient cash.

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, 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 Active Pharmaceutical Ingredient (API), formulation and analysis technology, pre-clinical research, clinical trial, regulatory affair (RA) service and franchise commercialization, thereby enhancing the profitability and risk resistance capability of the Group, and enabling the Group to secure long-term stable profitability in future.

SALES AND MARKETING

For the year ended 31 December 2010, the Group had signed 22 (base on the contract list provided, should be 22?) new contracts with contract value of approximately RMB35,974,000 representing a decrease of 48% compared to RMB69,310,000 in 2009. Because of the changes in government policy, our customers postponed their investment on new drug development.

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)

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.

Because of the changes in the Chinese Government’s policies and regulations in drug approval, especially the newly released GMP regulation (revised in 2010 and effective in 2011), which led to the increase in rigidity and cautiously in government approval and increased the timing and risk in new drug development, the revenue of PDS dropped significantly in 2010. The group had reviewed the strategy of PDS, inspected the assets related to PDS and make necessary provision or impairment to such assets.

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 13 new Clinical Study Permits (CSPs) and 3 Manufacturing Permits (MPs), maintaining the No.1 position in China. For the year ended 31 December 2010, the total number of CSPs obtained by the Group accumulated to 327 and the total number of MPs accumulated to 131.

ACTIVE PHARMACEUTICAL INGREDIENT (API)

Aside from technology transfer projects, the business of API is developing in a comprehensive way. Despite that API’s sales revenue accounts for less than 1% of the total revenue in 2010, 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 2011.

PATENTS

The Group has always placed a great emphasis on the protection of intellectual property rights. Since its incorporation and up to 31 December 2010, the Group has applied over 500 patents.

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 drug discovery, API (Active Pharmaceutical Ingredient), PDS (Pharmaceutical Development Service), Pre-clinical research, CRS (Contract Research Service), RAS (Regulatory Affairs 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, which was RMB60,138,000.

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 2010.

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.

SUBSTANTIAL SHAREHOLDERS

So far as it is known to any Directors, chief executives of the Company, as at 31 December 2010, 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% 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 360,000 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 2010, 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 2010, 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 2010.

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 2010.

(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

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 2010. 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 2010, the Board met and held four meetings in January ,March, May and August 2010. 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.

During the twelve months ended 31 December 2010, 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 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. 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

20 June 2011, 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.