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 2013

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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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This 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**”) announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012 as follows:

HIGHLIGHT

1. For the year ended 31 December 2013, consolidated turnover of the Group amounted to RMB 14,931,000 representing a decrease of 48% compared with RMB 28,688,000 of last year.

2. For the year ended 31 December 2013, the loss before income tax of the Group was RMB 30,966,000 compared with profit of RMB 3,231,000 of last year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

		Year ended 31 December	
		2013	2012
	Note	**RMB'000**	RMB'000
Revenue	2	**14,931**	28,688
Cost of sales		**(9,910)**	(16,236)
Gross profit		**5,021**	12,452
Other income	3	**2,902**	3,711
Administrative expenses		**(20,831)**	(17,448)
Impairment loss on work-in-progress	8	**(10,202)**	(6,653)
(Loss)/gain on revaluation of convertible notes		**(3,943)**	16,283
Gain on disposal of financial assets at fair value through profit or loss	11	**184**	37
Finance cost	4	**(4,097)**	(5,151)
(Loss)/profit before income tax		**(30,966)**	3,231
Income tax	6	**(53)**	(113)
Total comprehensive (loss)/income for the year		**(31,019)**	3,118
Attributable to:			
Owners of the Company		**(31,028)**	3,207
Non-controlling interests		**9**	(89)
		(31,019)	3,118
Basic and diluted (loss)/earnings per share	7	**(8.50)cents**	0.88cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	As at 31 December **2013** **RMB'000**	 2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**7,281**	9,616
Current assets			
Work-in-progress	8	**4,747**	17,611
Trade and bill receivables	9	**1,317**	3,535
Prepayments and other receivables	10	**1,465**	6,123
Financial assets at fair value through profit or loss	11	**816**	1,815
Cash and cash equivalents		**2,596**	2,771
		10,941	31,855
Total assets		**18,222**	41,471
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary shares		**38,681**	38,536
Reserves		**(163,472)**	(132,880)
		(124,791)	(94,344)
Non-controlling interests		**166**	157
Capital deficiency		**(124,625)**	(94,187)
LIABILITIES			
Non-current liabilities			
Convertible notes	12	**-**	91,875
Current liabilities			
Other payables and accruals	14	**22,579**	17,264
Convertible notes	12	**95,479**	-
Bank borrowing	13	**3,000**	3,000
Receipts in advance		**21,744**	23,475
Income tax liabilities	6	**45**	44
		142,847	43,783
Total liabilities		**142,847**	135,658
Total equity and liabilities		**18,222**	41,471
Net current liabilities		**(131,906)**	(11,928)
Total assets less current liabilities		**(124,625)**	(2,312)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners 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	**Accumulated Loss** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total Equity** RMB'000
Balance as at 1 January 2012	38,536	3,920	6,039	1,818	3,803	6,986	(157,538)	(96,436)	(316)	(96,752)
Comprehensive income										
Profit for the year	–	–	–	–	–	–	3,207	3,207	(89)	3,118
Total comprehensive income	–	–	–	–	–	–	3,207	3,207	(89)	3,118
Total contribution by and distribution to owners of the Company recognized in equity directly										
Employee share option benefits	–	365	–	–	–	–	–	365	–	365
Transferred to statutory reserve	–	–	–	–	18	–	(18)	–	–	–
Purchase of additional interest in a subsidiary	–	–	–	–	–	–	(1,480)	(1,480)	562	(918)
Total transactions with owners	–	365	–	–	18	–	(1,498)	(1,115)	562	(553)
Balance as at 31 December 2012 and 1 January 2013	**38,536**	**4,285**	**6,039**	**1,818**	**3,821**	**6,986**	**(155,829)**	**(94,344)**	**157**	**(94,187)**
Comprehensive income										
Loss for the year	–	–	–	–	–	–	(31,028)	(31,028)	9	(31,019)
Total comprehensive income	–	–	–	–	–	–	(31,028)	(31,028)	9	(31,019)
Total contribution by and distribution to owners of the Company recognized in equity directly										
Exercise of employee share option	145	–	–	436	–	–	–	581	–	581
Total transactions with owners	145	–	–	436	–	–	–	581	–	581
Balance as at 31 December 2013	**38,681**	**4,430**	**6,039**	**2,254**	**3,821**	**6,986**	**(186,857)**	**(124,791)**	**166**	**(124,625)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Basis of preparation

As at 31 December 2013, the Group's current liabilities exceeded its current assets and its total liabilities exceeded its total assets by approximately RMB131,906,000 (2012: net current liabilities of approximately RMB11,928,000) and approximately RMB124,625,000 (2012: net liabilities of approximately RMB 94,187,000) 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 2013, the Group had current liabilities of approximately RMB 142,847,000 among which approximately RMB 21,744,000 of receipts in advance from customers. Most of the receipts in advance would be recognised as revenue in 2014 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 2013 was 0.08.

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 notes 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

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

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

(i) *New and amended standards adopted by the Group*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013, are currently relevant and have no material impact on the Group's consolidated financial statements.

- Amendment to IAS 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).

- IFRS 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.

- IAS 28 (Revised) 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

- IFRS 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 IFRSs. The requirements, which are largely aligned between IFRSs 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 IFRSs.

- Annual improvement 2012 — Amendment to IFRS 13, ‘Fair value measurement’. This amendment is a clarification that there is no change in measurement requirements for short-term receivables and payable when the effect of not discounting is immaterial.

(ii) *New and amended standards not yet adopted by the Group.*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements.

- IAS 32 (Amendment) ‘Financial instruments: Presentation’ on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014

- Amendments to IFRS 10, 12 and IAS 27 on ‘Consolidation for investment entities’ is effective for annual periods beginning on or after 1 January 2014

- IAS 36 (Amendment) ’Impairment of assets’ on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014

- IAS 39 (Amendment) ‘Financial Instruments: Recognition and Measurement’ -novation of derivatives is effective for annual periods beginning on or after 1 January 2014

- IFRIC 21 ’Levies’ is effective for annual periods beginning on or after 1 January 2014

- Amendment to IAS 19 regarding defined benefit plans is effective for annual periods beginning on or after 1 January 2014

- Annual improvements 2012 is effective for annual periods beginning on or after 1 January 2014

- Annual improvements 2013 is effective for annual periods beginning on or after 1 January 2014

- IFRS 9 'Financial Instruments' is effective for annual periods beginning on or after 1 January 2015

Management does not anticipate that the application of the new standards and amendments will result in a material impact on the Group's consolidated financial statements.

2. Revenue and segment information

Breakdown of the revenue from all services is as follows:

	2013 **RMB'000**	2012 RMB'000
Analysis of revenue by category:		
Contracted clinical research services (VPS)	**13,958**	16,492
Other medical service	**973**	12,196
Total	**14,931**	28,688

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 registration, application and testing in the PRC and all assets were located in the PRC for both years.

3. Other income

	2013 **RMB'000**	2012 RMB'000
Government subsidies	**388**	258

Fair value gain on financial assets at fair value through profit or loss	**338**	227
Dividends income	**33**	42
Compensation income	**55**	308
Gain on disposal of property, plant and equipment	-	56
Reversal of impairment loss on other receivables	-	2,400
Reversal of impairment loss on trade receivables	-	150
Over provision of legal compensation in prior years	**650**	-
Others	**1,438**	270
Total	**2,902**	3,711

During the year, the Group received RMB 388,000 (2012: RMB 258,000) of government subsidies towards the research and development projects andRMB 1,438,000 (2012: 270,000) of professional services income from customers

4. Finance income and costs

	2013	2012
	RMB'000	RMB'000
Finance costs:		
– Exchange losses	-	(1,416)
– Interest on bank loan wholly repayable within five year	**(157)**	(53)
– Imputed interest on convertible notes	**(4,108)**	(3,715)
– Others	**(69)**	(86)
	(4,334)	(5,270)
Finance income:		
– Exchange gains	**229**	97
– Interest income	**8**	22
	237	119
Finance (costs)/income – net	**(4,097)**	(5,151)

5. Expenses by nature

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

	2013	2012
	RMB'000	RMB'000

Depreciation	**1,790**	2,713
Auditor's remuneration	**599**	630
Employee benefit expenses	**5,220**	10,415
Compensation	**4,373**	5,177
Operating lease payment	**1,022**	1,013
Loss on disposal of property, plant and equipment	**545**	-
Impairment loss on other receivables	**920**	524

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 (2012: 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 2013 (2012: 15%). During the year,Beijing Dezhong Venturepharm Medical Development Co,ltd.(北京德眾萬全藥物技術開發有限公司), Beijing Venturepharm Sunshine Medical Technology Co,ltd.(北京萬全陽光醫藥科技有限公司), Beijing Venturepharm Sunshine Pharmaceutical technology Co,ltd.北京萬全陽光醫學技術有限公司), Beijing Dezhong Venturepharm Pharmaceutical Technology Co,ltd.(北京德眾萬全醫藥科技有限公司) and Hainan Shengke Life Science Research Co,ltd.(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:

	2013	2012
	RMB'000	RMB'000
PRC enterprise income tax		
– current year	**53**	44
– underprovision in prior years	**-**	69
Total	**53**	113

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:

	2013	2012
	RMB'000	RMB'000
(Loss)/profit before tax	**(30,966)**	3,231

Calculated at a tax rate of 25%	**(7,741)**	808
Underprovision in prior years	**-**	69
Unrecognised tax loss	**4,754**	2,681
Utilisation of tax loss not recognised	**(424)**	(514)
Revenue not taxable for taxation purpose	**-**	(3,013)
Expenses not deductible for taxation purpose	**3,464**	82
Taxation	**53**	113

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

(a) Basic (loss)/earnings per share

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

	2013	2012
(Loss)/profit attributable to owners of the Company (RMB'000)	**(31,028)**	3,207
Weighted average number of ordinary shares in issue (thousands)	**364,665**	364,308
Basic (loss)/earnings per share (RMB cents per share)	**(8.50)**	0.88

(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 429,882,000 (2012: 453,525,000) 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 notes as detailed below of 65,217,000 (2012: 65,217,000) shares, calculated as follows:

	2013	2012
	RMB'000	RMB'000
(Loss)/profit attributable to owners of the Company	**(31,028)**	3,207
Interest expense on convertible notes (net of tax)	**4,108**	3,715

(Loss)/profit used to determine diluted earnings per share	**(26,920)**	6,922

Weighted average number of ordinary shares in issue (thousands)	**364,665**	364,308
Adjustment for:		
– Effect of deemed issue of ordinary shares under the Company's Share Option Schemes and the conversion of convertible note (thousands)	**65,217**	65,217
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**429,882**	429,525

No diluted (loss)/earnings per share for the years ended 31 December 2013 and 2012 is presented as the assumed conversion of convertible notes would result in an increase in earnings/decrease in loss per share.

8. Work-in-progress

2013

	Principal value	Impairment	Net value	Reason for impairment
	RMB'000			
Work-in-progress -contracted (a)	17,901	(13,154)	4,747	The total contract cost will exceed total contract revenue
Work-in-progress -Non-contracted (b)	-	-	-	No contract and immediate revenue
Total	17,901	(13,154)	4,747	

2012

	Principal value	Impairment	Net value	Reason for impairment
	RMB'000			
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	

(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

	2013	2012
	RMB'000	RMB'000
Trade receivables	**5,643**	5,573
Less: provision for impairment of trade receivables	**(4,366)**	(4,366)
Bill receivables	**40**	2,328
Trade and bill receivables – net	**1,317**	3,535

The Group allows an average credit period of 90 days to its trade customers. As 31 December 2013 and 2012, the ageing of the trade receivables net of impairment were as follows:

	2013	2012
	RMB'000	RMB'000
1-30 days	**40**	241
31 -60 days	**-**	11
61-90 days	**-**	-
91-180 days	**-**	585
Over 180 days	**1,237**	370
Total	**1,277**	1,207

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:

	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	**40**	252
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	**275**	280
Over one year past due but less than two years	**962**	-
	1,237	955
Total	**1,277**	1,207

As at 31 December 2013, trade receivables of RMB1,237,000 (2012:RMB955,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amount can be recovered.

As of 31 December 2013， trade receivables of RMB 4,366,000 were impaired and provided for (2012: RMB 4,366,000).

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

	2013 RMB'000	2012 RMB'000
At 1 January	**4,366**	37,780
Trade receivable written off during the year	**-**	(33,264)
Reversal of impairment loss of trade receivable	**-**	(150)
At 31 December	**4,366**	4,366

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:

	2013 RMB'000	2012 RMB'000
Prepayments	**259**	4,081
Deposit	**564**	408
Other receivables	**2,506**	4,364
	3,329	8,853
Less: provision of impairment	**(1,864)**	(2,730)
Total	**1,465**	6,123

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

At 1 January	**2,730**	11,113
Reversal of impairment	**(69)**	(2,400)
Written off	**(3,103)**	(6,507)
Provision for impairment loss recognised for the year	**2,306**	524
At 31 December	**1,864**	2,730
Related parties	**32**	41
Third parties	**1,433**	6,082
Total	**1,465**	6,123

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

11. Financial assets at fair value through profit or loss

	2013	2012
	RMB'000	RMB'000
Foreign currency bond fund	**816**	1,815
Total	**816**	1,815

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 US dollars

Gain on disposal of financial assets through profit or loss:

	2013	2012
	RMB'000	RMB'000
Gain on disposal of foreign currency bond fund	**184**	37
Total	**184**	37

The Company held financial assets at fair value through profit or loss of RMB 816,000 as at 31 December 2013 which was all foreign currency bond fund.

12. Convertible notes

	2013	2012
	RMB'000	RMB'000
Current		
Convertible notes	**95,479**	-
Non-current		
Convertible notes	**-**	91,875

On 10 September 2007, the Company, issued notes of an aggregate principal amount of CHF15,000,000. Unless previously redeemed, repurchased and cancelled or converted, any outstanding convertible notes shall be redeemed at the redemption amount (110% of the

principal amount outstanding of the convertible notes) on the date falling on the fifth anniversary of the date of issue of the convertible notes. The notes 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 note holders in accordance with the terms of the convertible notes to approve the extension of the convertible notes to 10 September 2015 with an increase in interest rate from 3.5% to 4% per annum. The extension of the convertible notes 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 noteholders will have the right to convert, at the conversion price, the whole of the principal amount of the convertible notes into shares at any time and from time to time, from the date of issue of the convertible notes.

Noteholders may at any time during the period on or after the date of issue of the convertible notes 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 notes (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 notes (event of default), then up to the time when the convertible notes become due and repayable to convert, at the conversion price, the whole or any part of the convertible notes held by the noteholders into conversion shares.

The carrying amounts of convertible notes approximated their fair value.

As at 31 December 2013, the fair value of the liability component, included in current borrowings, of the convertible notes was calculated using effective interest method at the rate of 15.01%.

As at 31 December 2013, the fair value of the derivative component of the convertible notes 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 notes during the year resulted in a loss from changes in fair value of approximately RMB3,943,000 (2012 gain: RMB 16,283,000), which has been recorded as “loss on revaluation of convertible notes” in the consolidated statement of comprehensive income.

Interest and other expenses of approximately RMB 4,108,000 (2012: RMB 3,715,000) has been recorded in the statement of comprehensive income in respect of the convertible notes for the year ended 31 December 2013.

On 26 May 2014, the Company entered into a term sheet ("”Term Sheet") with certain holders of the Convertible Notes who hold the majority of the voting rights attached to the Convertible Notes (the "Majority Noteholders"). Pursuant to the terms of the Term Sheet, all parties have agreed to settle all claims and mutually release each other from any further liabilities or obligations under the Convertible Notes. More details will be negotiated with Majority Noteholders。

Subsequently, the Company has undergone commercial negotiations to rectify the authority of the Majority Noteholders to settle the Convertible Notes with the Company for itself and on behalf of all Noteholders. A supplementary Settlement and Mutual Release Agreement ("Supplementary Agreement") is currently being negotiated and we expect to sign the Supplementary Agreement shortly..

13. Short term bank borrowing

	Group and the Company	
	2013	2012
	RMB’000	RMB’000
Bank borrowing	**3,000**	3,000

A subsidiary of the Group established a short term bank borrowing with Bank of Beijing in China with amount of RMB 3,000,000. The borrowing bears interest at a variable rate based on the Bank’s Prime Rate. Moreover, the borrowing with Industrial and Commercial Bank of China (Asia) Limited in China with amount of RMB3,000,000 in year 2012, has been settled on 26 April,2013 as the first instalment of repayment, and 18,June,2013 as the second and final instalment respectively.

14. Other payables and accruals

	2013	2012
	RMB’000	RMB’000
Other payables	**15,978**	13,621
Accrued expenses	**6,601**	3,643
	22,579	17,264

15. Dividend

No dividend has been proposed or paid by the Company in respect of the year ended 31 December 2013 (2012: Nil).

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

Basis for Disclaimer of Opinion: Fundamental Uncertainty relating to the Going Concern Basis

As explained in note 2.1 to the consolidated financial statements which indicates that the Group incurred consolidated loss attributable to owners of the Company of approximately RMB31,028,000 for the year ended 31 December 2013 and had consolidated net current liabilities of approximately RMB131,906,000, including the Convertible Notes of approximately RMB95,479,000. In addition, the Group failed to meet interest payment of RMB5,100,000 on the Convertible Notes, which have been overdue as at 31 December 2013. The Convertible Notes holders have the right to demand for repayment of the Notes at 110 percent of the principal amount if interest payment is in default. The Group is currently undertaking a number of measures to improve its financial and current liquidity position. On 26 May 2014, the Company entered into a term sheet ("”Term Sheet") with certain holders of the Convertible Notes who hold the majority of the voting rights attached to the Convertible Notes. Pursuant to the terms of the Term Sheet, all parties conditionally have agreed to settle all claims and mutually release each other from any further liabilities or obligations under the Convertible Notes.

The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the satisfaction of all conditions in the settlement agreement with Noteholders, successful outcome of negotiation with prospective investors to secure continual financial support 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 the implementation of such measures be taken place.

We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, however the uncertainty surrounding the outcome of these measures raises significant doubt about the Group's ability to continue as a going concern.

Disclaimer of opinion

Because of the significance of the fundamental uncertainty relating to the going concern basis, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and of the Group's result and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The consolidated total comprehensive loss in 2013 was RMB 31,019,000, representing a decrease of RMB 34,137,000 compared with last year. The decrease was primarily due to making impairment losses to comply with prudent principle and changing the PDS business strategy.

The consolidated turnover amounted to RMB14,931,000 representing a decrease of 48% compared with RMB 28,688,000 of last year. The 2013 consolidated turnover included approximately RMB 13,958,000 was derived from contracted clinical research services (VPS) and approximately RMB 973,000 from other medical service .In terms of revenue structure, the revenue of VPS amounted to 93% of the total revenue, which was increased by 36% compared with that of last year.

The overall gross profit was 5,021,000 and gross profit margin was 34%, compared to 12,452,000 and 43% respectively in last year, representing a decrease of 7,431,000 in gross profit and a decrease of 9% in gross profit margin. The decrease was primarily due to the termination of the PDS(Pharmaceutical Develop Services) project in 2013 and brought a change in revenue structure. As there was a significant change in the Chinese Government's policies and regulations in new drug approval, especially the newly released GMP（Drug Good Manufacturing Practice） regulation which led to the increase in rigidity and cautiously in government approval and increased the timing and risk in new drug development, The group terminated all PDS projects in 2013.

The consolidated general and administrative expenses were RMB 31,033,000 representing an increase about 6,932,000 compared with RMB 24,101,000 of last year. The increase was primarily due to the following reasons: Impairment on WIP was about RMB 10,202,000 in 2013 representing a increase of 3,549,000 compared with 2012. Research & development expenses increased about RMB 2,822,000 since the management closed the PDS project line during the year and those were recognized as expense in 2013 instead of cost of sales before.

COVERIBLE NOTES

On 10 September 2007, Venturepharm Laboratories Limited, issued notes of an aggregate principal amount of CHF15,000,000 (the "Notes"), which was expired in 9 September 2012. On 4 September 2012, the Noteholders 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 notes during the year resulted in a loss from changes in fair value of approximately RMB 3,943,000 in 2013 (2012 gain: approximately RMB16,283,000), which has been recorded as "loss / gain on revaluation of convertible notes" in the consolidated statement of comprehensive income.

Interest of approximately RMB 4,108,000 (2012: RMB 3,715,000) has been recorded in the statement of comprehensive income in respect of the convertible notes for the year ended 31 December 2013.

At 31 December 2013, the carrying amounts and fair value of the convertible notes for the Group amounted approximately of RMB 95,479,000 (2012: RMB 91,875,000).

On 26 May 2014, the Company entered into a term sheet ("”Term Sheet") with certain holders of the Convertible Notes who hold the majority of the voting rights attached to the Convertible Notes (the "Majority Noteholders"). Pursuant to the terms of the Term Sheet, all parties have agreed to settle all claims and mutually release each other from any further liabilities or obligations under the Convertible Notes. More details will be negotiated with Majority Noteholders。

Subsequently, the Company has undergone commercial negotiations to rectify the authority of the Majority Noteholders to settle the Convertible Notes with the Company for itself and on behalf of all Noteholders. A supplementary Settlement and Mutual Release Agreement ("Supplementary Agreement") is currently being negotiated and we expect to sign the Supplementary Agreement shortly.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year, although the company incurred consolidated loss, the Group maintained a sound prudent liquidity risk management, and had sufficient cash to meet the need of its business development.

As at 31 December 2013, the Group’s current liabilities exceeded its current assets and its total liabilities exceeded its total assets by approximately RMB131,906,000 (2012: net current liabilities of approximately RMB11,928,000) and approximately RMB124,625,000 (2012: net liabilities of approximately RMB 94,187,000) respectively.

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 notes, 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 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 2013, the Group had signed 8 new contracts with contract value of approximately RMB 5,072,943 representing a decrease of 90% compared to RMB 51,989,000 in 2012 . Those contracts will generate stable revenue for the Group. The decrease was primaily due to the adjustment of marketing strategy. As there was a significant change in the Chinese Government's policies and regulations in new drug approval, especially the newly released GMP regulation which led to the increase in rigidity and cautiously in government approval and increased the timing and risk in new drug development, The group terminated all PDS projects in 2013.

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.

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 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 RMB815,790.

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 2013.

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 notes, and issuance of new debts and other methods etc when needed.

The audit committee considered providing the impairment losses on relevant assets in 2013 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 2013, 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 2013, 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 2013, 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 2013.

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

Because auditing of the impairments of receivables and work-in-progress, convertible notes and payables without being finished on time, the publication of the Result Announcement of the company and its subsidiaries for the year ended 31 December 2013 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 2013.

(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

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 2013. 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 2013, the Board met and held four meetings in 2013. 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%
LI Jin Liang (appointed on 24 May 2012)	4/4	50%
Nathan Xin ZHANG	3/4	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. 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. The board has approved acceptance of Mr William Xia Guo’s not taking the role of the president of the company in 2013.

(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 2013, the audit committee held four 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)	4/4	100%
Paul CONTOMICHALOS	4/4	100%
ZHANG Jing An (appointed on 27 Dec 2011)	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. 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 July 2014, 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.