



上海復旦張江生物醫藥股份有限公司
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. *
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8231)

THIRD QUARTERLY REPORT

For the nine months ended 30 September 2012

* *For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This report, for which the directors (the “Directors”) of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this report 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 report misleading; and 3. all opinions expressed in this report 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”) hereto presents the unaudited consolidated third quarterly results of the Company and its subsidiaries (collectively the “Group”) for the nine months ended 30 September 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the nine months ended 30 September 2012

For the nine months ended 30 September 2012, the Group recorded a turnover of approximately RMB129,807,000, comparing to a turnover of approximately RMB72,861,000 for the same period in 2011. This represents an increase of 78%. Sales of ALA and Libod[®], the main products of the Group have contributed significant revenue to the Group during the period and their turnover increased about RMB34,801,000 and RMB22,000,000 respectively from that of the corresponding period last year.

For the nine months ended 30 September 2012, RMB1,635,000 (or 1.3% of the total turnover) was derived from the income of technology transfer, and the rest of RMB128,172,000 (or 98.7% of the total turnover) came from the sale of medical products and the revenue recognized from exclusive distribution rights. The source of total turnover for the nine months ended 30 September 2011 was the same as that of this period of 2012. ALA (艾拉[®]) and Libod[®], which the Group launched during the second half of 2007 and 2009 respectively, have now entered into a rapidly developed selling cycle, after several year’s market exploration and expansion.

For the nine months ended 30 September 2012, the Group incurred cost of sales of the Group was approximately RMB10,638,000, comparing to RMB15,707,000 for the same period in 2011. Gross profit margin has increased from 78% to 92% for the same period in 2011. The reduction of costs mainly benefits from the efficiency in the production of ALA and Libod[®]. In addition, the Group sold certain ALA equipment and diagnostic products with low margin the same period in 2011, which reduced the gross profit margin as a whole.

For the nine months ended 30 September 2012, operating profit of the Group was approximately RMB35,693,000, comparing to RMB5,962,000 for the same period in 2011. Of the various costs and expenses presented above operating profit, research and development costs have increased by 24%, distribution and marketing costs have increased by 77%, administrative expenses have increased by 36%, and other income has increased by 44%, respectively, comparing with those of the same period in 2011. The increase of distribution and marketing costs is mainly due to the increase of the sales. The mainly factors driving the increase of other income were the realization of income from the strategic cooperation agreement with Shanghai Pharmaceutical Holding Co., Ltd. (“Shanghai Pharmaceutical”, a shareholder of the Company) for the innovative pharmaceutical research and development amounted to RMB18,571,000 in the period under review.

A profit attributable to shareholders of the Company of approximately RMB31,290,000 was recorded in the unaudited consolidated statement of comprehensive income for the nine months ended 30 September 2012, whereas the profit attributable to shareholders of the Company for the same period in 2011 was RMB6,142,000.

Business review

Committed to the principle “The more we explore, the healthier human beings will be”, the Group aims to become a pioneer in the bio-pharmaceutical industry, by focusing on the R&D of genetic engineering, new drug screening, and commercialization of patent drugs and special drugs that suit the PRC market.

During the period under review, the Group has been making progress in the areas of R&D and commercialization pursuing the projected plans.

In the area of R&D, clinical trial phase III for Hemoporfin (海姆泊芬), a photodynamic new drug for the treatment of Port Wine Stain has been completed, and application for the New Drug Certificate is under progress.

Clinical study for ALA (鹽酸氨酮戊酸), a photodynamic new drug for the treatment of cervical diseases infected by HPV has been approved.

Pre-clinical study for rhTNFR(m):Fc (High bio-activity recombinant human TNF receptor 2-Fc fusion protein mutant高活性重組人腫瘤壞死因子受體突變體-Fc融合蛋白) for the treatment of arthritis has been completed, and application for clinical study has been submitted. Application for a PCT patent for the project has been made.

The Group has been actively protecting its intellectual property rights (IPR) on its innovative medicines and research results. During the period under review, the Group applied for 2 invention patents, and granted 5 invention patents.

In respect of commercialization, since the launch of ALA for the treatment of dermal HPV infectious disease and proliferative disease as represented by Condyloma acuminata, and Libod® for the treatment of tumors, sales revenue of the products has been increasing steadily. ALA has been accredited as No. 24 of the 100 Excellent Shanghai Hi-Tech Result Transfer Projects.

Future prospects

The Group has accumulated extensive experiences in R&D, and has taken a leading position in the pharmaceutical industry in the PRC. In the future, the Group will continue devoting efforts to R&D on projects with proprietary intellectual property rights. In particular, drugs for the treatment of dermal diseases and tumors will be of the most importance.

In the area of commercialization, the Group has realized production and sales on diagnostic products, ALA, Eyan[®] and Libod[®]. The sales revenue has made significant increase over the same period of last year. It is expected that the future sales revenue will be increasing extensively. The Group has successfully accomplished the transformation from pure R&D to a combination of R&D and commercialization. An intact system of R&D, production, sales and marketing combined orderly has been formed. The Group will be able to progress to a better development stage.

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

As at 30 September 2012, the interests (including interests in shares and/or short positions) of the Directors, the Chief Executive and the Supervisors and their respective associates in the shares or debentures of the Company and its associated corporations, if any, (a) as notified to the Company and the Stock Exchange pursuant to: Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"); (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Name of Directors	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of share capital	Percentage in total share capital
Wang Hai Bo	Domestic Shares	51,886,430 (L)	Beneficial owner	Personal	10.13%	7.31%
Su Yong	Domestic Shares	18,312,860 (L)	Beneficial owner	Personal	3.58%	2.58%
Zhao Da Jun	Domestic Shares	15,260,710 (L)	Beneficial owner	Personal	2.98%	2.15%
Fang Jing	Domestic Shares	5,654,600 (L)	Beneficial owner	Personal	1.10%	0.80%

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 September 2012, the persons other than a director, chief executive or supervisor of the Company who have interests and/or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO are listed as follows (the interests in shares and short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Chief Executive and Supervisors):

Name of substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of share capital	Percentage in total share capital
Shanghai Industrial Investment (Holdings) Co., Ltd.	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26%	29.60%
	H Shares	70,564,000 (L)			35.64%	
Shanghai Pharmaceutical Holding Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	27.26%	29.60%
	H Shares	70,564,000 (L)			35.64%	
China General Technology (Group) Holding, Limited	Domestic Shares	130,977,816 (L)	Beneficial Owner	Corporate	25.58%	18.45%
Shanghai Zhangjiang (Group) Co. Ltd.	Domestic Shares	105,915,096 (L)	Interest of controlled corporation	Corporate	20.69%	14.92%
Shanghai Zhangjiang Hi-Tech Park Development Corp.	Domestic Shares	105,915,096 (L)	Beneficial Owner	Corporate	20.69%	14.92%
Fudan University	Domestic Shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.98%	4.31%
Shanghai Fudan Asset Operating Limited	Domestic Shares	30,636,286 (L)	Beneficial Owner	Corporate	5.98%	4.31%

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the nine months ended 30 September 2012.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Pan Fei, who is the chairman, Mr. Weng De Zhang, who is the vice chairman, and Mr. Cheng Lin. Mr. Pan Fei holds a recognized professional qualification as prescribed by the GEM Listing Rules.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. The audit committee reviewed the third quarterly report for the nine months ended 30 September 2012 before proposing to the Board for approval.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2012	2011	2012	2011
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	47,123	33,817	129,807	72,861
Cost of sales		(4,490)	(4,862)	(10,638)	(15,707)
Gross profit		42,633	28,955	119,169	57,154
Other income		13,693	5,063	29,916	20,767
Research and development costs		(7,789)	(5,991)	(18,555)	(14,997)
Distribution and marketing costs		(24,125)	(18,591)	(78,300)	(44,241)
Administrative expenses		(7,146)	(4,112)	(16,445)	(12,121)
Other operating expenses		(35)	(3)	(92)	(600)
Operating profit		17,231	5,321	35,693	5,962
Finance costs		(671)	(1,680)	(2,257)	(3,440)
Profit before income tax		16,560	3,641	33,436	2,522
Income tax	3	(2,073)	(1,740)	(4,759)	700
Profit for the period		14,487	1,901	28,677	3,222
Other comprehensive income					
Available-for-sale investments		-	(7)	11	(7)
Total comprehensive income for the period		14,487	1,894	28,688	3,215
Profit/(loss) attributable to:					
Shareholders of the Company		15,085	2,789	31,290	6,142
Non-controlling interests		(598)	(888)	(2,613)	(2,920)
		14,487	1,901	28,677	3,222
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		15,085	2,784	31,297	6,137
Non-controlling interests		(598)	(890)	(2,609)	(2,922)
		14,487	1,894	28,688	3,215
Basic and diluted earnings per share for profit attributable to the shareholders of the Company (RMB)	4	0.0212	0.0039	0.0441	0.0087

NOTES

1. Accounting policies and basis of preparation

The consolidated unaudited third quarterly financial information of the Group has been prepared in accordance with IAS 34. The accounting policies adopted in preparing the unaudited consolidated financial information for the nine months ended 30 September 2012 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

The unaudited consolidated financial information includes the financial information of the Company and its subsidiaries made up to 30 September. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2. Turnover

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Sales of medical products	44,294	32,508	124,422	69,846
Exclusive rights	1,250	1,250	3,750	2,916
Technology transfer revenue	1,579	59	1,635	99
	<u>47,123</u>	<u>33,817</u>	<u>129,807</u>	<u>72,861</u>

3. Income tax

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Income tax	<u>(2,073)</u>	<u>(1,740)</u>	<u>(4,759)</u>	<u>700</u>

Effective from 1 January 2008, the Company and its subsidiaries shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China as approved by the National People's Congress on 16 March 2007. In 2009, the Company obtained an approval for a two-year full exemption of income tax from 2008 followed by a three-year 50% reduction. The effective tax rate of the Company is 12.5% in 2012 (2011: 12.5%). The effective tax rates of the subsidiaries are 25% in 2012 (2011: 25%).

4. Earnings per share

The calculation of the basic profit per share for the three months ended 30 September 2012 was based on the unaudited profit attributable to shareholders of the Company of approximately RMB15,085,000 (2011: RMB2,789,000) and the weighted average number of 710,000,000 shares during the three months ended 30 September 2012 (2011: 710,000,000 shares).

The calculation of the basic profit per share for the nine months ended 30 September 2012 was based on the unaudited profit attributable to shareholders of the Company of approximately RMB31,290,000 (2011: RMB6,142,000) and the weighted average number of 710,000,000 shares during the nine months ended 30 September 2012 (2011: 710,000,000 shares).

Diluted profit per share has not been calculated for the three months or nine months ended 30 September 2012 and 30 September 2011 as there were no dilutive potential ordinary shares during the periods then ended.

5. Dividends

The Board of Directors does not recommend the payment of an interim dividend for the nine months ended 30 September 2012 (2011: Nil).

6. Consolidated statement of changes in equity

	Unaudited					Total RMB'000
	Attributable to shareholders of the Company					
	Share capital RMB'000	Capital accumulation reserve RMB'000	Statutory common reserve fund RMB'000	Accumulated losses RMB'000	Non- controlling interests RMB'000	
Balance at 1 January 2011	71,000	211,240	2,829	(145,826)	29,462	168,705
Profit/(loss) for the period	-	-	-	6,142	(2,920)	3,222
Other comprehensive income						
Available-for-sales investments	-	(5)	-	-	(2)	(7)
Total comprehensive income for the period	-	(5)	-	6,142	(2,922)	3,215
Balance at 30 September 2011	<u>71,000</u>	<u>211,235</u>	<u>2,829</u>	<u>(139,684)</u>	<u>26,540</u>	<u>171,920</u>
Balance at 1 January 2012	71,000	211,233	2,829	(115,000)	31,005	201,067
Profit/(loss) for the period	-	-	-	31,290	(2,613)	28,677
Other comprehensive income						
Available-for-sales investments	-	7	-	-	4	11
Total comprehensive income for the period	-	7	-	31,290	(2,609)	28,688
Balance at 30 September 2012	<u>71,000</u>	<u>211,240</u>	<u>2,829</u>	<u>(83,710)</u>	<u>28,396</u>	<u>229,755</u>

By Order of the Board
Wang HaiBo
Chairman

As at the date thereof, the Board comprises:

Mr. Wang Hai Bo (*Executive Director*)

Mr. Su Yong (*Executive Director*)

Mr. Zhao Da Jun (*Executive Director*)

Ms. Fang Jing (*Non-executive Director*)

Mr. Hao Hong Quan (*Non-executive Director*)

Mr. Zhu Ke Qin (*Non-executive Director*)

Ms. Ke Ying (*Non-executive Director*)

Mr. Shen Bo (*Non-executive Director*)

Mr. Pan Fei (*Independent non-executive Director*)

Mr. Cheng Lin (*Independent non-executive Director*)

Mr. Weng De Zhang (*Independent non-executive Director*)

Shanghai, the PRC

7 November 2012