



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 limited company incorporated in the People's Republic of China)

(Stock code: 8231)

THIRD QUARTERLY RESULTS ANNOUNCEMENT For the nine months ended 30 September 2013

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This announcement, 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 GEM of The Stock Exchange 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 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”) presents as below the unaudited consolidated third quarterly results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 30 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the nine months ended 30 September 2013

For the nine months ended 30 September 2013, the Group recorded a turnover of approximately RMB263,960,000, comparing to a turnover of approximately RMB129,807,000 for the same period in 2012. This represents an increase of 103%. Sales of Libod[®] and ALA[®], the main products of the Group have contributed significant revenue to the Group during the period and their turnover increased about RMB96,366,000 and RMB37,899,000, respectively, from that of the corresponding period last year.

The total turnover for the nine months ended 30 September 2013 came from the sale of medical products, the income from exclusive distribution rights and the revenue from technology transfer. The source of total turnover for the nine months ended 30 September 2013 was the same as that of the corresponding period of 2012.

For the nine months ended 30 September 2013, the Group incurred cost of sales of approximately RMB21,238,000, comparing to RMB10,638,000 for the same period in 2012. Gross profit margin for the nine months ended 30 September 2013 and the same period in 2012 is both 92% approximately. The relatively stable margin mainly benefits from the strict cost control that the Group executed.

For the nine months ended 30 September 2013, operating profit of the Group was approximately RMB64,482,000, comparing to RMB35,693,000 for the same period in 2012. Of the major costs and expenses presented above operating profit, research and development costs had increased by 61%, distribution and marketing costs had increased by 95% and administrative expenses had increased by 20%, respectively, comparing to those of the same period in 2012. The increase of research and development costs was mainly due to the increase of investments on some R&D projects and some new R&D projects. The distribution and marketing costs increased in line with the sales accordingly. For the nine months ended 30 September 2013, other operating expenses of the Group was approximately RMB3,768,000, comparing to that of RMB92,000 for the same period in 2012. The increase of other operating expenses was mainly due to the exchange losses on the cash proceeds from the new H-share placing. The other income had decreased by 6% compared to that of the same period in 2012, which mainly represented the income from Shanghai Pharmaceuticals Holding Co., Ltd. (“Shanghai Pharmaceuticals”, a shareholder of the Company) for the cooperation on innovative pharmaceutical research and development amounted to RMB16,387,000.

A profit attributable to the shareholders of the Company of approximately RMB53,944,000 was recorded in the unaudited consolidated statement of comprehensive income for the nine months ended 30 September 2013, compared with the profit of RMB31,290,000 attributable to the shareholders of the Company for the same period in 2012, representing an increase of 72%.

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, the Company has obtained two New Drug Certificates the numbers of which are Guo Yao Zheng Zi H20120079 for materials and Guo Yao Zheng Zi H20120076 for injection issued by the State Food and Drug Administration for Hemoporphin (海姆泊芬), a photodynamic drug for the treatment of Port Wine Stain. Hemoporphin belongs to Chemical Drugs Class 1.1.

ALA (鹽酸氨酮戊酸), a photodynamic drug for the treatment of cervical diseases infected by HPV has entered the clinical trial phase I.

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. The project is in the communication stage of the approval process.

Duteroporphyrin (多替泊芬), a photodynamic drug for the treatment of tumors has completed the clinical trial phase I, and the Company will initiate the work for clinical trial phase II soon.

Vincristine Sulfate Liposome (硫酸長春新鹼脂質體), a nano drug for the treatment of malignant tumors has entered into the clinical trial phase I.

The Recombinant human lymphotoxin α -derivatives (LT) (重組人淋巴毒素 α 衍生物) for the treatment of tumors has completed the clinical trial phase II. The result of the trial in connection with Advanced Esophageal Squamous Carcinoma (晚期食管鱗癌) demonstrated that the progression-free survival (無進展生存期) as well as the overall survival (總生存期) of the patients cannot be further extended. In addition, the objective response rate (客觀緩解率) was not increased neither. However, the progression-free survival and effective rate of the high dose group has been improved, but the result has no statistical significance. The Company will continue to research its mechanisms and the connection with the disease and determine the new research plan.

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 these products has been increasing steadily.

FuMeiDa (the proposed name of Hemoporphin(海姆泊芬)), which is for the treatment of Port Wine Stain has now entered the pilot production stage. The Company has obtained drug production license of FuMeiDa and is required to further obtain the drug approval number and pharmaceutical GMP certificate (GMP Certificate) etc. before FuMeiDa can be launched to the market. It is estimated that FuMeiDa will be launched to the market in 2014.

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 reagents, ALA, Eyan and Libod. The sales revenue has made significant increase compared with the same period in 2012. As more products are launched to the market, it is expected that the future sales revenue will be increasing extensively.

The Group has initially formed an intact system of R&D, production, sales and marketing combined orderly and will be able to progress to a better development stage.

SHARE CAPITAL

On 4 February 2013, the Company completed placing of 142,000,000 H shares with a par value of RMB 0.10 each at a price of HKD 1.70. Therefore, the share capital of the Company increased to RMB 85,200,000.

On 29 June 2012, the Company adopted a Restricted Share Scheme to issue no more than 71,000,000 Domestic Shares as restricted stock under the scheme. Pursuant to the scheme, the participants mainly include Directors, senior management, mid-level management and key research staff of the Group who contribute to success of the Company's strategy, and other key employees who, in the opinion of the Board or the remuneration committee of the Company, contribute directly to the overall business performance and sustainable development of the Group.

On 24 June 2013, the Company completed the grant of Restricted Shares under the Initial Grant. The Company granted 35,500,000 Restricted Shares to the Scheme Participants at the grant price of RMB0.51 per Restricted Share pursuant to the Restricted Share Scheme. Therefore, the share capital of the Company increased to RMB 88,750,000.

On 8 August 2013, the Company granted Restricted Shares under the Second Grant. The Company granted 35,500,000 Restricted Shares to the Scheme Participants at the grant price of RMB0.51 per Restricted Share pursuant to the Restricted Share Scheme. As at 30 September 2013, the Restricted Share grant fund has been fully received. Registration and filing procedures had been completed on 21 October 2013 and the share capital of the Company increased to RMB 92,300,000.

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

As at 30 September 2013, 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	54,886,430 (L)	Beneficial owner	Personal	10.02%	6.18%
Su Yong	Domestic shares	20,312,860 (L)	Beneficial owner	Personal	3.71%	2.29%
Zhao Da Jun	Domestic shares	17,260,710 (L)	Beneficial owner	Personal	3.15%	1.94%
Fang Jing	Domestic shares	5,654,600 (L)	Beneficial owner	Personal	1.03%	0.64%

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 September 2013, 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	25.49%	23.68%
	H shares	70,564,000 (L)			20.75%	
Shanghai Pharmaceuticals Holding Co., Ltd.	Domestic shares	139,578,560 (L)	Beneficial owner	Corporate	25.49%	23.68%
	H shares	70,564,000 (L)			20.75%	
China New Enterprise Investment Fund II	Domestic shares	130,977,816 (L)	Beneficial owner	Corporate	23.92%	14.76%
Shanghai Zhangjiang (Group) Co. Ltd.	Domestic shares	105,915,096 (L)	Interest of controlled corporation	Corporate	19.35%	11.93%
Shanghai Zhangjiang Hi-Tech Park Development Corp.	Domestic shares	105,915,096 (L)	Beneficial owner	Corporate	19.35%	11.93%

Shum Ning	H shares	31,628,000 (L)	Beneficial owner	Personal	9.30%	3.56%
Fudan University	Domestic shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.60%	3.45%
Shanghai Fudan Asset Operating Limited (上 海復旦資產經營有限公 司)	Domestic shares	30,636,286 (L)	Beneficial owner	Corporate	5.60%	3.45%
Boxin China Growth Fund I LP	H shares	27,000,000 (L)	Investment manager	Corporate	7.94%	3.04%

Note1: The letter “L” stands for long position.

Note2: As at 30 September 2013, Shanghai Zhangjiang Hi-Tech Park Development Corp. has sold all equities in the Company and the transfer and registration procedures have been completed on 21 October 2013.

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 2013.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the financial reporting, internal controls and corporate governance issues and making relevant recommendations to the Board. Members of the Committee are: Mr. Pan Fei (Independent non-executive Director), Mr. Cheng Lin (Independent non-executive Director) and Mr. Shen Bo (Non-executive Director). Mr. Pan Fei was appointed as the chairman of the Committee.

The Audit Committee reviews the accounting principles and practices adopted by the Group, as well as the listing rules and statutory compliance, and reviews issues regarding auditing, internal controls, risk management and financial reporting. The Audit Committee reviewed the Group's results for the nine months ended 30 September 2013 before proposing to the Board for approval.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Turnover	2	107,027	47,123	263,960	129,807
Cost of sales		<u>(8,965)</u>	<u>(4,490)</u>	<u>(21,238)</u>	<u>(10,638)</u>
Gross profit		98,062	42,633	242,722	119,169
Other income		11,785	13,693	28,118	29,916
Research and development costs		(12,325)	(7,789)	(29,849)	(18,555)
Distribution and marketing costs		(59,890)	(24,125)	(153,069)	(78,300)
Administrative expenses		(6,745)	(7,146)	(19,672)	(16,445)
Other operating expenses		<u>(455)</u>	<u>(35)</u>	<u>(3,768)</u>	<u>(92)</u>
Operating profit		30,432	17,231	64,482	35,693
Finance costs		<u>(1,067)</u>	<u>(671)</u>	<u>(4,582)</u>	<u>(2,257)</u>
Profit before income tax		29,365	16,560	59,900	33,436
Income tax expense	3	<u>(5,372)</u>	<u>(2,073)</u>	<u>(11,687)</u>	<u>(4,759)</u>
Profit for the period		<u>23,993</u>	<u>14,487</u>	<u>48,213</u>	<u>28,677</u>
Other comprehensive income					
Fair value changes on available-for-sale investments		<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>
Total comprehensive income for the period		<u>23,993</u>	<u>14,487</u>	<u>48,213</u>	<u>28,688</u>
Profit for the period attributable to:					
Shareholders of the Company		26,040	15,085	53,944	31,290
Non-controlling interests		<u>(2,047)</u>	<u>(598)</u>	<u>(5,731)</u>	<u>(2,613)</u>
		<u>23,993</u>	<u>14,487</u>	<u>48,213</u>	<u>28,677</u>
Total comprehensive income for the period attributable to:					
Shareholders of the Company		26,040	15,085	53,944	31,297
Non-controlling interests		<u>(2,047)</u>	<u>(598)</u>	<u>(5,731)</u>	<u>(2,609)</u>
		<u>23,993</u>	<u>14,487</u>	<u>48,213</u>	<u>28,688</u>
Basic and diluted earnings per share for profit attributable to the shareholders of the Company (RMB)	4	<u>0.0293</u>	<u>0.0212</u>	<u>0.0637</u>	<u>0.0441</u>

NOTES

1. Accounting policies and basis of preparation

The unaudited third quarterly consolidated 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 2013 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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. Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary 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	
	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Sales of medical products	105,777	44,294	260,132	124,422
Exclusive rights	1,250	1,250	3,750	3,750
Technology transfer revenue	-	1,579	78	1,635
	<u>107,027</u>	<u>47,123</u>	<u>263,960</u>	<u>129,807</u>

3. Income tax expense

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Income tax expense	<u>(5,372)</u>	<u>(2,073)</u>	<u>(11,687)</u>	<u>(4,759)</u>

Effective from 1 January 2008, the Company and its subsidiaries are required 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. Moreover the Company was recognised as a high-tech enterprise, the applicable tax rate of the Company is 15% in 2013 (2012: 12.5%). The applicable tax rates of the subsidiaries are 25% in 2013 (2012: 25%).

4. Earnings per share

The calculation of the basic earnings per share for the three months ended 30 September 2013 was based on the unaudited profit attributable to shareholders of the Company of approximately RMB26,040,000 (three months ended 30 September 2012: profit attributable to shareholders of the Company of approximately RMB15,085,000) and weighted average shares in issue of 887,500,000 shares (three months ended 30 September 2012: 710,000,000 shares) during the three months ended 30 September 2013.

The calculation of the basic earnings per share for the nine months ended 30 September 2013 was based on the unaudited profit attributable to shareholders of the Company of approximately RMB53,944,000 (nine months ended 30 September 2012: profit attributable to shareholders of the Company of approximately RMB31,290,000) and weighted average shares in issue of 847,188,645 shares (nine months ended 30 September 2012: 710,000,000 shares) during the nine months ended 30 September 2013.

Diluted earnings per share is the same as the basic earnings per share for the three months or nine months ended 30 September 2013 and 2012 respectively as there were no dilutive potential ordinary shares during those periods.

5. Dividend

The Board of Directors recommended not to distribute any interim dividend in respect of the nine months ended 30 September 2013 (2012: Nil).

6. MOVEMENTS IN CONSOLIDATED EQUITY

	Unaudited					Total RMB'000
	Attributable to shareholders of the Company				Non-controlling interests	
	Share capital RMB'000	Capital accumulation reserve RMB'000	Statutory common reserve fund RMB'000	Accumulated losses RMB'000	RMB'000	
Balance at 1 January 2012	<u>71,000</u>	<u>211,233</u>	<u>2,829</u>	<u>(115,000)</u>	<u>31,005</u>	<u>201,067</u>
Profit/(loss) for the period	-	-	-	31,290	(2,613)	28,677
Other comprehensive income						
Fair value changes on available-for-sale investments	-	7	-	-	4	11
Total comprehensive income/(loss) for the period	<u>-</u>	<u>7</u>	<u>-</u>	<u>31,290</u>	<u>(2,609)</u>	<u>28,688</u>
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>
Balance at 1 January 2013	<u>71,000</u>	<u>211,240</u>	<u>6,419</u>	<u>(65,431)</u>	<u>36,885</u>	<u>260,113</u>
Profit/(loss) for the period	-	-	-	53,944	(5,731)	48,213
Other comprehensive income						
Fair value changes on available-for-sale investments	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,944</u>	<u>(5,731)</u>	<u>48,213</u>
Total contributions by owners of the Company recognized directly in equity						
Proceeds from shares issued net of issuance costs	<u>17,750</u>	<u>186,416</u>	-	-	-	<u>204,166</u>
Balance at 30 September 2013	<u>88,750</u>	<u>397,656</u>	<u>6,419</u>	<u>(11,487)</u>	<u>31,154</u>	<u>512,492</u>

By Order of the Board

Wang Hai Bo

Chairman

As at the date of this announcement, 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)

Ms. Ke Ying (Non-executive Director)

Mr. Shen Bo (Non-executive Director)

Ms. Yu Xiao Yang (Non-executive Director)

Mr. Pan Fei (Independent non-executive Director)

Mr. Cheng Lin (Independent non-executive Director)

Mr. Zhou Zhong Hui (Independent non-executive Director)

Mr. Lam Yiu Kin (Independent non-executive Director)

Shanghai, the PRC

7 November 2013

** For identification purpose only*

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