



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT For the three months ended 31 March 2013

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

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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 hereto presents the unaudited consolidated interim results of the Company together with its subsidiaries (collectively the "Group") for the three months ended 31 March 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the three months ended 31 March 2013

For the three months ended 31 March 2013, the Group recognized a turnover of approximately RMB47,028,000, comparing to a turnover of RMB18,558,000 for the same period in 2012. This represents an increase of 153%. 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 RMB18,952,000 and RMB9,503,000, respectively, from that of the corresponding period last year.

The total turnover for the three months ended 31 March 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 three months ended 31 March 2012 was the same as that of this period.

For the three months ended 31 March 2013, the Group incurred cost of sales of approximately RMB3,092,000, comparing to RMB1,719,000 for the same period in 2012. It mainly benefits from the strict cost control that the Group executed.

For the three months ended 31 March 2013, operating profit of the Group was approximately RMB9,712,000, comparing to an operating profit of RMB5,007,000 for the same period in 2012. Of the various costs and expenses presented before operating profit, research and development costs have increased by 122%, distribution and marketing costs have increased by 137%, administrative expenses have increased by 39%, other operating expenses have increased by 4600%, and other income has increased by 22%, respectively, comparing to those of the same period in 2012. The increase of research and development costs is mainly due to the increase of investments on some R&D projects. The distribution and marketing costs increase in line with the sales accordingly. The increase of other operating expenses is mainly due to the exchange losses of the cash proceeds from the new H-share placing. The main factor driving the increase of other income was the income amounted to RMB7,229,000 from Shanghai Pharmaceutical Holding Co., Ltd. ("Shanghai Pharmaceutical", a shareholder of the Company) for the cooperation on innovative pharmaceutical research and development amounted to RMB7,229,000, which increased about RMB2,213,000 for the same period in 2012.

A profit attributable to the shareholders of the Company of approximately RMB7,544,000 was recorded in the unaudited consolidated statement of comprehensive income for the three months ended 31 March 2013 (2012: RMB4,151,000).

Business review

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.

The application for clinical study for ALA (鹽酸氨酮戊酸), a photodynamic drug for the treatment of cervical diseases infected by HPV has been approved, and now is preparing for the clinical study.

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) and Vincristine Liposome (長春新鹼脂質體) for the treatment of cancer has entered the clinical trial phase I. The Recombinant human lymphotoxin α -derivatives (rhLT) (重組人淋巴毒素 α 衍生物) has entered the clinical trial phase II.

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.

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 successfully accomplished the transformation from a pure R&D body 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.

Share capital

On 4 February 2013, the Company completed placing 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. As at 31 March 2013, the Company has completed the first grant to the scheme participants.

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

As at 31 March 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 class of share capital	Percentage in total share capital
Wang Hai Bo	Domestic Shares	51,886,430 (L)	Beneficial owner	Personal	10.13%	6.09%
Su Yong	Domestic Shares	18,312,860 (L)	Beneficial owner	Personal	3.58%	2.15%
Zhao Da Jun	Domestic Shares	15,260,710 (L)	Beneficial owner	Personal	2.98%	1.79%
Fang Jing	Domestic Shares	5,654,600 (L)	Beneficial owner	Personal	1.10%	0.66%

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 March 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	27.26%	24.66%
	H Shares	70,564,000 (L)			20.75%	

Shanghai Pharmaceutical Holding Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	27.26%	24.66%
	H Shares	70,564,000 (L)			20.75%	
China New Enterprise Investment Fund II	Domestic Shares	130,977,816 (L)	Beneficial Owner	Corporate	25.58%	15.37%
Shanghai Zhangjiang (Group) Co. Ltd.	Domestic Shares	105,915,096 (L)	Interest of controlled corporation	Corporate	20.69%	12.43%
Shanghai Zhangjiang Hi-Tech Park Development Corp.	Domestic Shares	105,915,096 (L)	Beneficial Owner	Corporate	20.69%	12.43%
Shum Ning	H Shares	34,000,000 (L)	Beneficial Owner	Personal	10.00%	3.99%
Fudan University	Domestic Shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.98%	3.60%
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	5.98%	3.60%
Boxin China Growth Fund I LP	H Shares	27,000,000 (L)	Investment manager	Corporate	7.94%	3.17%
Liu Yang	H Shares	17,000,000 (L)	Interest of controlled corporation	Personal	5.00%	2.00%
Atlantis Capital Holdings Limited	H Shares	17,000,000 (L)	Beneficial Owner	Corporate	5.00%	2.00%

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

Note2: As at 31 March 2013, Shanghai Zhangjiang Hi-Tech Park Development Corp has sold all equities in the Company to the third parties, but the transfer and registration procedures have not yet been completed.

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 three months ended 31 March 2013.

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, including a review of the first quarterly report for the three months ended 31 March 2013 before proposing to the Board for approval.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Three months ended 31 March	
		2013	2012
	Note	RMB'000	RMB'000
Turnover	2	47,028	18,558
Cost of sales		<u>(3,092)</u>	<u>(1,719)</u>
Gross profit		43,936	16,839
Other income		10,674	8,759
Research and development costs		(13,131)	(5,920)
Distribution and marketing costs		(24,348)	(10,271)
Administrative expenses		(6,056)	(4,371)
Other operating expenses		<u>(1,363)</u>	<u>(29)</u>
Operating profit		9,712	5,007
Finance costs		<u>(1,987)</u>	<u>(634)</u>
Profit before income tax		7,725	4,373
Income tax expenses	3	<u>(2,177)</u>	<u>(700)</u>
Profit for the period		<u>5,548</u>	<u>3,673</u>
Other comprehensive income			
Available-for-sale investments		<u>-</u>	<u>11</u>
Total comprehensive income for the period		<u>5,548</u>	<u>3,684</u>
Profit attributable to:			
Shareholders of the Company		7,544	4,151
Non-controlling interests		<u>(1,996)</u>	<u>(478)</u>
		<u>5,548</u>	<u>3,673</u>
Total comprehensive income attributable to:			
Shareholders of the Company		7,544	4,158
Non-controlling interests		<u>(1,996)</u>	<u>(474)</u>
		<u>5,548</u>	<u>3,684</u>
Basic and diluted earnings per share for profit attributable to the shareholders of the Company (RMB)	4	<u>0.0094</u>	<u>0.0058</u>

NOTES

1. Accounting policies and basis of preparation

The unaudited first 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 three months ended 31 March 2013 are consistent with those followed in the preparation of the Group's annual consolidated 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 31 March. 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. 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 31 March	
	2013	2012
	RMB'000	RMB'000
Sales of medical products and the provision of related ancillary services	45,700	17,252
Exclusive rights (Note (a))	1,250	1,250
Technology transfer revenue (Note (b))	78	56
	<u>47,028</u>	<u>18,558</u>

(a) In March 2011, the exclusive distribution rights of Doxorubicin Liposome Injection products were granted to a pharmaceutical distribution company for a period from the contract effective day to 28 February 2015 and a potential extension of another four years, at a total consideration of RMB 20,000,000, of which an amount of RMB 1,250,000 (2012: RMB 1,250,000) was recognised as revenue for the three months ended 31 March 2013.

(b) At 25 March 2002, the Company signed a technology transfer contract with a pharmaceutical company in Shandong Province to transfer Recombinant Tissue Type

Plasminogen Activator (r-tPA) for a total consideration of RMB 15,000,000, which was completed in 2007. In addition, pursuant to the contract, the Company is entitled to receive royalty payments from the pharmaceutical company equal to 2%-5% of the future gross annual sales over a period of 5 years. The royalty payment of RMB 78,000 (2012: RMB 56,000) was received and recognised as revenue for the three months ended 31 March 2013.

3. Income tax expense

	Unaudited	
	Three months ended 31 March	
	2013	2012
	RMB'000	RMB'000
Income tax expense	<u>2,177</u>	<u>700</u>

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

4. Profit per share

The calculation of the basic profit per share for the three months ended 31 March 2013 was based on the unaudited profit attributable to shareholders of the Company of approximately RMB7,544,000 (2012: profit attributable to shareholders of the Company of approximately RMB4,151,000) and the weighted average number of 804,666,667 shares during the three months ended 31 March 2013 (2012: 710,000,000 shares).

Diluted profit per share has not been calculated for the three months ended 31 March 2013 and three months ended 31 March 2012 as there were no dilutive potential ordinary shares during the periods then ended.

5. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the three months ended 31 March 2013 (2012: Nil).

6. Consolidated statement of changes in equity

	Unaudited				Non-controlling interests	Total
	Attributable to shareholders of the Company					
	Share capital	Capital accumulation reserve	Statutory common reserve fund	Accumulated losses		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2012	71,000	211,233	2,829	(115,000)	31,005	201,067
Comprehensive income						
Profit/(loss) for the period	-	-	-	4,151	(478)	3,673
Other comprehensive income						
Available-for-sale investments	-	7	-	-	4	11
Total comprehensive income	-	7	-	4,151	(474)	3,684
Balance at 31 March 2012	<u>71,000</u>	<u>211,240</u>	<u>2,829</u>	<u>(110,849)</u>	<u>30,531</u>	<u>204,751</u>

6. Consolidated statement of changes in equity (continued)

Balance at 1 January 2013	71,000	211,240	6,419	(65,431)	36,885	260,113
Comprehensive income						
Profit/(loss) for the period	-	-	-	7,544	(1,996)	5,548
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	7,544	(1,996)	5,548
Total contributions by an distributions to owners of the company recognized directly in equity						
Proceeds from shares issued	14,200	171,861	-	-	-	186,061
Balance at 31 March 2013	<u>85,200</u>	<u>383,101</u>	<u>6,419</u>	<u>(57,887)</u>	<u>34,889</u>	<u>451,722</u>

By Order of the Board

Wang Hai Bo

Chairman

As at the date of the publication of this report, 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

9 May 2013

** For identification purpose only*

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