



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 2012

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 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the three months ended 31 March 2012

For the three months ended 31 March 2012, the Group recognized a turnover of approximately RMB18,558,000, comparing to a turnover of RMB9,462,000 for the same period in 2011. This represents an increase of 96%. Sales of ALA, the main product of the Group has contributed significant revenue to the Group during the period and its turnover increased about RMB 9,907,000 from that of the corresponding period last year.

The total turnover for the three months ended 31 March 2012 came from the sale of medical products and the provision of related ancillary services and revenue recognized from exclusive rights. The source of total turnover for the three months ended 31 March 2011 was the same as that of this period.

For the three months ended 31 March 2012, the Group incurred cost of sales of approximately RMB1,719,000, comparing to RMB2,755,000 for the same period in 2011. Gross profit margin has increased to 91% from 71% for the same period in 2011. The deduction of costs mainly benefits from the strict cost control that the Group executed. In addition, the Group sold ALA equipments and diagnostic products with low margin during the same period in 2011, which reduced the average gross profit margin as a whole.

For the three months ended 31 March 2012, operating profit of the Group was approximately RMB5,007,000, comparing to an operating loss of RMB1,522,000 for the same period in 2011. Of the various costs and expenses presented before operating profit, research and development costs have increased by 32%, distribution and marketing costs have increased by 42%, administrative expenses have increased by 32%, and other operating expenses have increased by 32%, whereas other income has increased by 28%, respectively, comparing with those of the same period in 2011. The increase of distribution and marketing costs is mainly due to the increase of distribution and marketing costs of ALA which increased in line with its sales. The increase of administrative expenses is mainly contributed by the increase of employee payroll expenses. 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 cooperation on innovative pharmaceutical research and development amounted to RMB 5,016,000, which increased about RMB 1,477,000 for the same period in 2011.

A profit attributable to the shareholders of the Company of approximately RMB4,151,000 was recorded in the unaudited consolidated statement of comprehensive income for the three months ended 31 March 2012(2011: loss attributable to shareholders of the Company of approximately RMB1,163,000).

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, 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.

Pre-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 completed, and application for clinical study has been submitted.

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 1 invention patents, and granted 2 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 approved as Shanghai Patent New Product and Libod[®] has been accredited as Shanghai Hi-Tech Result Transfer Project.

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 over last year. 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.

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

As at 31 March 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 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 31 March 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 (上海復旦資產經營有限公司)	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 three months ended 31 March 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, including a review of the first quarterly report for the three months ended 31 March 2012 before proposing to the Board for approval.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Three months ended 31 March	
		2012	2011
	Note	RMB'000	RMB'000
Turnover	2	18,558	9,462
Cost of sales		<u>(1,719)</u>	<u>(2,755)</u>
Gross profit		16,839	6,707
Other income		8,759	6,829
Research and development costs		(5,920)	(4,501)
Distribution and marketing costs		(10,271)	(7,229)
Administrative expenses		(4,371)	(3,306)
Other operating expenses		<u>(29)</u>	<u>(22)</u>
Operating profit/(loss)		5,007	(1,522)
Finance costs		<u>(634)</u>	<u>(714)</u>
Profit/(loss) before income tax		4,373	(2,236)
Income tax expenses	3	<u>(700)</u>	<u>-</u>
Profit/(loss) for the period		<u>3,673</u>	<u>(2,236)</u>
Other comprehensive income			
Available-for-sale investments		<u>11</u>	<u>-</u>
Total comprehensive income/(loss) for the period		<u>3,684</u>	<u>(2,236)</u>
Profit/(loss) attributable to:			
Shareholders of the Company		4,151	(1,163)
Minority interests		<u>(478)</u>	<u>(1,073)</u>
		<u>3,673</u>	<u>(2,236)</u>
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		4,158	(1,163)
Minority interests		<u>(474)</u>	<u>(1,073)</u>
		<u>3,684</u>	<u>(2,236)</u>
Basic and diluted earnings per share for profit/(loss) attributable to the shareholders of the Company (RMB)	4	<u>0.0058</u>	<u>(0.0016)</u>

NOTES

1. Accounting policies and basis of preparation

The unaudited first 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 three months ended 31 March 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 comprehensive 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. 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 and the provision of related ancillary services in the PRC. Turnover recognized during the reporting period is as follows:

	Unaudited	
	Three months ended 31 March	
	2012	2011
	RMB'000	RMB'000
Sales of medical products and the		
provision of related ancillary services	17,308	9,045
Exclusive rights (a)	1,250	417
	<u>18,558</u>	<u>9,462</u>

(a) On 22 February 2011, the Company entered into the Sole Agency Agreement with China NT Pharma Group Company Limited to offer the sole agency rights of Libod from 1 March 2011 to 28 February 2015, for a total consideration of RMB20,000,000, of which an amount of RMB1,250,000 is recognized as revenue within the period under review (2011:RMB417,000).

3. Income tax expense

	Unaudited	
	Three months ended 31 March	
	2012	2011
	RMB'000	RMB'000
Income tax expense	<u>700</u>	<u>-</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. Profit/(loss) per share

The calculation of the basic profit per share for the three months ended 31 March 2012 was based on the unaudited profit attributable to shareholders of the Company of approximately RMB4,151,000 (2011: loss attributable to shareholders of the Company of approximately RMB1,163,000) and the weighted average number of 710,000,000 shares during the three months ended 31 March 2012 (2011: 710,000,000 shares).

Diluted profit per share has not been calculated for the three months ended 31 March 2012 and three months ended 31 March 2011 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 2012 (2011: Nil).

6. Consolidated statement of changes in equity

	Unaudited				Minority 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 2011	71,000	211,240	2,829	(145,826)	29,462	168,705
Comprehensive loss						
Loss for the period	-	-	-	(1,163)	(1,073)	(2,236)
Total comprehensive loss	-	-	-	(1,163)	(1,073)	(2,236)
Balance at 31 March 2011	<u>71,000</u>	<u>211,240</u>	<u>2,829</u>	<u>(146,989)</u>	<u>28,389</u>	<u>166,469</u>
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>

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)

Mr. Ge Jian Qiu (Non-executive Director)

Ms. Ke Ying (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

10 May 2012

** For identification purpose only*

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