



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 REPORT

For the nine months ended 30 September 2010

* *For identification purpose only*

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 nine months ended 30 September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the nine months ended 30 September 2010

For the nine months ended 30 September 2010, the Group recorded a turnover of approximately RMB53,609,000, comparing to a turnover of approximately RMB40,261,000 for the same period in 2009. This represents an increase of 33%.

Of the total turnover of the Group for the nine months ended 30 September 2010, RMB800,000 (1.5% of the total turnover) came from the income of technology transfer, and the rest approximately RMB52,809,000 (98.5% of the total turnover) was derived from the sale of medical products and the provision of related ancillary services. In contrast, of the total turnover of the same period last year, RMB38,261,000 or 95% of total turnover was derived from the sale of medical products and the provision of related ancillary services and the income from the amortization of the exclusive distribution rights, and RMB2,000,000 or 5% of total turnover came from the income of technology transfer. The new product, ALA (艾拉®), which the Group launched during the second half of 2007, has now entered into a rapidly developed selling cycle, after over two year’s market exploration and promotion. In addition, Libod® (里葆多®), which the Group had launched to the market during the second half of 2009, has contributed significant revenue to the Group. These are two important factors that lead to the continuous increase of turnover of the Group.

For the nine months ended 30 September 2010, cost of sales of the Group was approximately RMB11,408,000, comparing to RMB11,827,000 for the same period in 2009. Gross profit was approximately RMB42,201,000, which doubled that of the same period in 2009. Gross profit margin has grown to 79% from 71% for the same period in 2009.

Within the period under review, operating loss of the Group was approximately RMB1,026,000, compared to RMB7,908,000 for the same period in 2009, which represents a decrease of 87%. Of the various expenses presented before operating loss, research and development (R&D) costs and administrative expenses mostly remained the same with those of the same period in 2008, whereas distribution and marketing costs increased by 48%, along with the increase of turnover. Other income increased from the same period in 2009.

A loss attributable to shareholders of the Company of approximately RMB1,805,000 was recorded in the unaudited consolidated income statements for the nine months ended 30 September 2010, whereas the loss attributable to shareholders of the Company for the same period in 2009 was RMB9,081,000, representing a decrease of 80%.

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 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 Hemoporphin (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 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 is about to be submitted at the end of this year. Application for a PCT patent for the project has been made.

With regard to patents, the Group has always been endeavoring in protecting the intellectual property rights of its innovative drugs and R&D achievements. Within the period under review, the Group has been granted 1 invention patent.

In respect of commercialization, since the launch of ALA (艾拉®) for the treatment of dermal HPV infectious disease and proliferative disease as represented by Condyloma acuminata, and Libod® (里葆多®) for the treatment of tumors, sales revenue of the products has been increasing steadily. ALA (艾拉®) has been approved as Shanghai Patent New Product and Libod® (里葆多®) 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 products, ALA[®], and Libod[®] for the treatment of tumor. The revenue has been increasing steadily. It is expected that the future sales 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 2010, 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 Domestic shares held | Capacity | Type of interest | Percentage holding in Domestic shares | Percentage of holding 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 2010, 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) | | Corporate | 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) | | Corporate | 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 | |
| Fudan University | 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 2010.

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 2010 before proposing to the Board for approval.

The Directors hereto present the unaudited consolidated third quarterly results of the Company together with its subsidiaries (collectively the “Group”) for the nine months ended 30 September 2010.

UNAUDITED CONSOLIDATED INCOME STATEMENT

| | Note | Three months ended | | Nine months ended | |
|---|------|--------------------|---------|-------------------|----------|
| | | 30 September | | 30 September | |
| | | 2010 | 2009 | 2010 | 2009 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Turnover | 2 | 17,711 | 19,357 | 53,609 | 40,261 |
| Cost of sales | | (3,375) | (5,292) | (11,408) | (11,827) |
| Gross profit | | 14,336 | 14,065 | 42,201 | 28,434 |
| Other income | | 5,000 | 3,557 | 9,605 | 7,215 |
| Research and development costs | | (4,241) | (5,370) | (14,998) | (15,813) |
| Distribution and marketing costs | | (10,424) | (9,110) | (28,934) | (19,515) |
| Administrative expenses | | (2,919) | (2,367) | (8,576) | (8,001) |
| Other operating expenses | | (272) | (210) | (324) | (228) |
| Operating profit / (loss) | | 1,480 | 565 | (1,026) | (7,908) |
| Finance costs | | (734) | (493) | (2,090) | (1,852) |
| Income / (loss) before income tax | | 746 | 72 | (3,116) | (9,760) |
| Income tax expense | 3 | (600) | — | (600) | — |
| Income / (loss) for the period | | 146 | 72 | (3,716) | (9,760) |
| Other comprehensive income | | | | | |
| Available-for-sale investments | | — | (859) | — | 959 |
| Total comprehensive income/(loss) for the year | | 146 | (787) | (3,716) | (8,801) |
| Income / (loss) attributable to: | | | | | |
| Shareholders of the Company | | 496 | 274 | (1,805) | (9,081) |
| Minority interests | | (350) | (202) | (1,911) | (679) |
| | | 146 | 72 | (3,716) | (9,760) |

| | Note | Unaudited | | Unaudited | |
|--|------|--------------------|---------------|-------------------|-----------------|
| | | Three months ended | | Nine months ended | |
| | | 30 September | | 30 September | |
| | | 2010 | 2009 | 2010 | 2009 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Total comprehensive | | | | | |
| income/(loss) attributable to: | | | | | |
| Shareholders of the Company | | 496 | (507) | (1,805) | (8,199) |
| Minority interests | | (350) | (280) | (1,911) | (602) |
| | | <u>146</u> | <u>(787)</u> | <u>(3,716)</u> | <u>(8,801)</u> |
| Basic and diluted income/(loss) | | | | | |
| per share for income/(loss) | | | | | |
| attributable to the | | | | | |
| shareholders of the | | | | | |
| Company (RMB) | | | | | |
| | 4 | <u>0.0007</u> | <u>0.0004</u> | <u>(0.0025)</u> | <u>(0.0128)</u> |

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 2010 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

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 and the provision of related ancillary services in the PRC. Turnover recognized during the reporting period is as follows:

| | Unaudited Three months ended 30 September | | Unaudited Nine months ended 30 September | |
|---|---|-----------------|--|-----------------|
| | 2010 RMB'000 | 2009 RMB'000 | 2010 RMB'000 | 2009 RMB'000 |
| Sales of medical products and the provision of related ancillary services | 17,711 | 19,357 | 52,809 | 38,261 |
| Technology transfer revenue | — | — | 800 | 2,000 |
| | <u>17,711</u> | <u>19,357</u> | <u>53,609</u> | <u>40,261</u> |

3. Income tax

| | Unaudited Three months ended 30 September | | Unaudited Nine months ended 30 September | |
|------------|---|-----------------|--|-----------------|
| | 2010 RMB'000 | 2009 RMB'000 | 2010 RMB'000 | 2009 RMB'000 |
| Income tax | (600) | — | (600) | — |

Under the Corporate Income Tax Law of the People's Republic of China, as the Company was certified as a New and High Technology Enterprise, it is entitled to a reduced income tax rate of 15%. The corporate income tax rate applicable to the subsidiaries is 25%. In 2009, the Company obtained an approval for an income tax incentive of two-year full exemption followed by a three-year 50% reduction, with year 2008 being the first tax-free year.

4. Profit/(loss) per share

The calculation of the basic profit per share for the three months ended 30 September 2010 was based on the unaudited profit attributable to shareholders of the Company of approximately RMB496,000 (2009: profit attributable to shareholders of the Company of approximately RMB274,000) and the weighted average number of 710,000,000 shares during the three months ended 30 September 2010 (2009: 710,000,000 shares).

The calculation of the basic loss per share for the nine months ended 30 September 2010 was based on the unaudited loss attributable to shareholders of the Company of approximately RMB1,805,000 (2009: loss attributable to shareholders of the Company of approximately RMB9,081,000) and the weighted average number of 710,000,000 shares during the nine months ended 30 September 2010 (2009: 710,000,000 shares).

Diluted profit/(loss) per share has not been calculated for the three months or nine months ended 30 September 2010 and 30 September 2009 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 nine months ended 30 September 2010 (2009: Nil).

6. Consolidated statement of changes in equity

| | Unaudited | | | | | |
|---------------------------------------|---|------------------------------|-------------------------------|--------------------|--------------------|---------|
| | Attributable to shareholders of the Company | | | | | |
| | Share capital | Capital accumulation reserve | Statutory common reserve fund | Accumulated losses | Minority interests | Total |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| Balance at 1 January 2009 | 71,000 | 141,945 | 2,829 | (142,187) | 2,296 | 75,883 |
| Comprehensive loss | | | | | | |
| Loss for the period | — | — | — | (9,081) | (679) | (9,760) |
| Other comprehensive income | | | | | | |
| Available-for-sales investments | — | 882 | — | — | 77 | 959 |
| Total comprehensive loss | — | 882 | — | (9,081) | (602) | (8,801) |
| Balance at 30 September 2009 | 71,000 | 142,827 | 2,829 | (151,268) | 1,694 | 67,082 |
| Balance at 1 January 2010 | 71,000 | 211,367 | 2,829 | (149,507) | 32,679 | 168,368 |
| Comprehensive loss | | | | | | |
| Loss for the period | — | — | — | (1,805) | (1,911) | (3,716) |
| Total comprehensive loss | — | — | — | (1,805) | (1,911) | (3,716) |
| Transactions with owners | | | | | | |
| Acquisition of minority interests (a) | — | (127) | — | — | (721) | (848) |
| Total transactions with owners | — | (127) | — | — | (721) | (848) |
| Balance at 30 September 2010 | 71,000 | 211,240 | 2,829 | (151,312) | 30,047 | 163,804 |

- (a) In January 2010, the Company entered into a share transfer agreement with Shanghai Zhangjiang (Group) Co., Ltd. ("SZCL") to acquire all SZCL's 31.25% interests in the Company's subsidiary Morgan-Tan. The consideration is RMB848,000. After the acquisition, Morgan-Tan became a wholly owned subsidiary of the Company. SZCL is the parent company of Shanghai Zhangjiang Hi-Tech Park Development Corp., one of the Company's shareholders.

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. Zhou Jie (*Non-executive Director*)
Mr. Guo Jun Yu (*Non-executive Director*)
Mr. Hao Hong Quan (*Non-executive Director*)
Mr. Zhu Ke Qin (*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 November 2010