



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)

FIRST QUARTERLY RESULTS REPORT

For the three months ended 31 March 2003

** For identification purpose only*

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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 Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. 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 Directors are pleased to present the first quarterly results of the Company together with its subsidiaries (collectively the “Group”) for the three months ended 31 March 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the three months ended 31 March 2003

For the three months ended 31 March 2003, turnover of the Group plummeted to approximately RMB1.3 million, compared to RMB3.8 million for the corresponding period in 2002.

The Group’s turnover of the first quarter of 2003 was derived from the sales of diagnostic reagent, compared to the total turnover of the corresponding period last year within which RMB2 million (or 53% of total turnover) was derived from technology transfer and the rest RMB1.8 million (or 47% of total turnover) was derived from the sales of diagnostic reagent and the provision of relevant service packages.

As compared with the same period in 2002, the shrink of the Group’s turnover during the first quarter of 2003 was mainly due to no technology transfer throughout the quarter. Instead, in 2003, the Group mainly endeavoured to commercialize R&D projects, which has reflected the change in the Group’s operation and R&D strategies. The Group used to sell those projects that are expected to face huge competition upon commercial launch or those “me-too” drugs produced during the R&D process in return for a cash inflow and funding for other R&D programs. After the Company’s successful listing on GEM by way of placing of new shares in August 2002, the Group has more financial resources to be devoted to R&D on new drugs. The Directors believe that it would be more profitable to the Group to transfer technology of its R&D projects at a later stage than seeking upfront return. In addition, the long-term strategy of the Group is to focus on the R&D and commercialization of its self-developed bio-pharmaceutical drugs. Therefore, although technology transfer would remain as one of the Group’s alternatives to realise short-term profits and maintain cash flow position, the Group will focus more on R&D project commercialization to seek long-term business success.

The sales of medical and diagnostic reagents abated by 26% in contrast to the corresponding period in 2002 which is principally due to periodical sales decline of certain bio-chemical reagents.

The total expenses of the Group for the three months ended 31 March 2003 was approximately RMB4.8 million, compared with RMB5.9 million for the corresponding period in 2002. The decline was mainly attributed to the decrease of cost of sales.

The Group recorded a loss attributable to shareholders of approximately RMB1.8 million for the three months ended 31 March 2003, compared with a profit attributable to shareholders of approximately RMB0.3 million for the corresponding period in 2002.

Business review

It is the Group's objective that "the harder we work, the healthier human beings will be". The Group is committed to becoming a pioneer in the bio-pharmaceutical industry focusing on R&D of genetic technology and the commercialization of patent drugs.

To date, the major research projects of the Group are progressing actively as planned early this year. The recombinant human parathyroid hormone derivatives (rhPTH) for the treatment of osteoporosis, hempoifin, a photodynamic therapy drug, deuteroporphyrin derivatives, and the light sugar, a Chinese medicine, have entered the advanced stage of pre-clinical research as scheduled. Pre-clinical works on IL-1Ra, a genetic engineering drug for the treatment of arthritis, has been completed, and application for clinical testing will be made soon.

In order that the commercialization of Down's Syndrome (a disease caused by abnormal cell chromosome in babies) screening system can be smoothly launched in the second half of the year, the Group is currently engaged in preparation such as renovation of production site of the project, the operation plan and application for the production license. Through the efforts of our colleagues, at present, procurement of equipment for Down's Syndrome project, renovation of the production site have been basically completed, and application for production license and GMP certification are under way. At the same time, the Group assigned a number of persons to Shandong, Jiangxi, Beijing, Sichuan to conduct market research, who are preparing for further operation plans. In respect of the application for product license, the Group has received "Notice for supplementary materials in respect of the application for production license" issued by the SDA, and the Group is actively preparing for the related materials in accordance with the Notice.

Prospects

Through accumulation of the R&D at the initial stage, it is anticipated that the Group will have 4-5 projects within this year, including parathyroid hormone (for the treatment of osteoporosis) and hempoifin (a photodynamic drug for the treatment of disease due to the formation of abnormal blood vessels, such as port wine stain, old age muscular degeneration and corneal neovascularization). Application for clinical testing on these drugs can be made to the SDA within this year, and it is anticipated that approvals for clinical testing can be obtained one after another next year.

As the projects going into the clinical application stage will significantly enhance the successful rates of technological transfers, and with more products entering into that stage, it is anticipated that technological transfers will increase as compared with the previous stage, and will bring contributions to the Group's profit growth. At the same time, it is anticipated that the Down's Syndrome project will be commercialized in the second half of this year. About 20 million babies are born in the PRC every year, as such, the market prospect of the project is promising.

In order to strengthen and develop the Group's business more steadily in the long term and in addition to its continued and active efforts in R&D projects, the Group also plans to focus on achieving the commercialization of Down's Syndrome screening system, and gradually bring forth the transformation for the commercialization of the Group's business. This project is intended to be jointly promoted with the National Population And Family Planning Commission of China.

PURCHASE, SALE OR REDEMPTION OF SHARES

Apart from the placing of H Shares of the Company on the GEM, neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed shares during the period from 13 August 2002 (date of listing of the Company's shares on the GEM) to 31 March 2003.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, chief executive (the "Chief Executive") or supervisors (the "Supervisors") of the Company or their spouse or children under the age of 18 was granted by the Company or its subsidiary any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 31 March 2003.

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

As at 31 March 2003, the interests 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, as required to be recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

Name of Directors	Class of shares	Number of ordinary shares of RMB0.10 each		
		Personal interests	Corporate/ family/ other interests	Total
Wang Hai Bo	Domestic Shares	51,886,430	—	51,886,430
Su Yong	Domestic Shares	18,312,860	—	18,312,860
Zhao Da Jun	Domestic Shares	15,260,710	—	15,260,710
Fang Jing	Domestic Shares	5,654,600	—	5,654,600

Apart from the aforesaid, none of the Directors, the Chief Executive and the Supervisors and their respective associates had any interests in the shares or debentures of the Company and its associated corporations, if any, as recorded in the register under Section 29 of the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 March 2003, the shareholders having an interest of 10% or more in the respective class of share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance are listed as follows:

Name of substantial shareholders	Class of shares	Number of shares held	Percentage in the respective class of share capital	Percentage in total issued share capital
Shanghai Pharmaceutical Co., Ltd.	Domestic Shares	139,578,560	27.26%	19.66%
China General Technology (Group) Holding, Limited	Domestic Shares	130,977,816	25.58%	18.45%
Shanghai Zhangjiang Hi-Tech Park Development Corp.	Domestic Shares	105,915,096	20.69%	14.92%
Wang Hai Bo	Domestic Shares	51,886,430	10.13%	7.31%
S.I. Pharmaceutical Holdings Ltd. <i>(note)</i>	H Shares	70,564,000	35.64%	9.94%

Note: Including the 5,000,000 H Shares held by SIIC Medical Science and Technology Group Limited, a subsidiary of S.I. Pharmaceutical Holdings Ltd.

Apart from the aforesaid, no other person is recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance as having an interest in 10% or more in the respective class of share capital of the Company.

DETAILS OF OPTIONS GRANTED BY THE COMPANY

On 23 June 2002, the Company has adopted a share option scheme (the "Share Option Scheme") under which the executive Directors or full-time employees of the Company or its subsidiary or any of their respective associates may be granted options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

As at the date of this report, no option has been granted or agreed to be granted to any executive Directors or full-time employees of the Company or its subsidiary or any of their respective associates under the Share Option Scheme.

JOINT SPONSORS' INTERESTS

Pursuant to a sponsors agreement dated 12 August 2002 between the Company, Guotai Junan Capital Limited ("Guotai Junan") and Barits Securities (Hong Kong) Limited ("Barits"), Guotai Junan and Barits have been appointed as the joint sponsors to the Company as required under the GEM Listing Rules at a fee from 13 August 2002 to 31 December 2004.

As at 31 March 2003, one fellow subsidiary of Guotai Junan held 1,324,000 H Shares of the Company. Apart from the aforesaid, Guotai Junan, Barits, their directors, employees nor any of their respective associates did not have any interest in any securities of the Company or any of its associated corporations.

COMPETING INTERESTS

Save as disclosed in the following table, none of the Directors, the management shareholders of the Company and their respective associates had any interest in a business which competes or may compete with the businesses of the Group.

Shanghai Pharmaceutical Co., Ltd.

Investee company	Nature of business	Shareholding interests
Shanghai Tongyong Pharmaceutical Co., Ltd. (上海通用藥業股份有限公司)	Drug manufacturing	40%
Jiangxi Nanhua Pharmaceutical Co., Ltd. (江西南華醫藥有限公司)	Drug retailing	50%
Shanghai Pharmaceutical (Sudan) Co., Ltd. (上海制藥(蘇丹)有限公司)	Drug manufacturing	55%
Shanghai Hefeng Pharmaceutical Co., Ltd. (上海禾豐制藥有限公司)	Drug manufacturing	50%
Shanghai No. 9 Pharmaceutical (上海第九制藥廠)	Drug manufacturing	100%
Shanghai Changzheng Fuming Pharmaceutical Co., Ltd. (上海長征富民藥業有限公司)	Drug manufacturing	51%
Shanghai Changzheng Jinshan Pharmaceutical Co., Ltd. (上海長征富民金山制藥有限公司)	Drug manufacturing	65%
Shanghai Fuda Pharmaceutical Co., Ltd. (上海福達制藥業有限公司)	Drug manufacturing	70%
Anhui Huashi Pharmaceutical Co., Ltd. (安徽華氏醫藥有限公司)	Drug manufacturing	67%
Shanghai Huashi Pharmaceutical Co., Ltd. (上海華氏制藥有限公司) (Note 1)	Drug manufacturing	100%
Shanghai Huashi Pharmaceutical Hi-Tech Industrial Development Co., Ltd. (上海華氏醫藥高科技實業發展有限公司)	Drug introduction and R&D of chemical and initiative drugs	100%
Shanghai Jiufu Pharmaceutical Co., Ltd. (上海九福藥業有限公司)	Drug manufacturing	50%

Investee company	Nature of business	Shareholding interests
Maanshan City Huashi Pharmaceutical Co., Ltd. (馬鞍山市華氏醫藥有限公司)	Drug trading	50%
Anhui Province Huajinshi Wuhu Pharmaceutical Co., Ltd. (安徽省華金氏蕪湖有限公司)	Drug trading	80%

China General Technology (Group) Holding, Ltd.

Investee company	Nature of business	Shareholding interests
Hainan Tongmeng Pharmaceutical Co., Ltd. (海南同盟藥業有限公司)	Drug manufacturing	49%
Hainan Sanyang Pharmaceutical Co., Ltd. (海南三洋藥業有限公司) (Note 2)	Drug manufacturing	65%
China Pharmaceutical Health Accessories Import and Export Corporation (中國醫藥保健品進出口總公司)	Drug trading	100%
Yunnan Tongyong Shanmei Pharmaceutical Co., Ltd. (雲南通用善美製藥有限公司)	Drug manufacturing	51%

Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.

Investee company	Nature of business	Shareholding interests
Meilian Biotechnology Company (美聯生物技術公司)	R&D of genetic pattern	49.47%
Shanghai National Bio-pharmaceutical Base Pharmaceutical Selling Co., Ltd. (上海國家生物醫藥基地醫藥銷售有限公司)	Sales of drugs	75%
Shanghai Zhangjiang Desano Science and Technology Co., Ltd. (上海張江迪賽諾科技產業有限公司)	Manufacturing and sales of intermediate products of drugs	51%

Notes:

1. Yu Qing Hua, a non-executive Director and director of Shanghai Pharmaceutical Co., Ltd., was nominated and appointed by Shanghai Pharmaceutical Co., Ltd. as the chairman of the board of Shanghai Huashi Pharmaceutical Co., Ltd..
2. Zhang Li Qiang, a non-executive Director and a deputy general manager of China General Industry Company, was nominated and appointed by China General Industry Company to be the chairman of the board of Hainan Sanyang Pharmaceutical Co., Ltd..
3. Fang Jin, a non-executive Director, was nominated and appointed by Shanghai Zhangjiang Hi-Tech Park Development Corp. as the director of the board of Shanghai National Bio-pharmaceutical Base Pharmaceutical Selling Co., Ltd..
4. Save for notes (1), (2) and (3) above, the above initial management shareholders have no board representation in the investee companies listed above.

AUDIT COMMITTEE

The Company has established an audit committee on 30 January 2002 with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants. The audit committee originally comprised two independent non-executive Directors of the Company, namely Feng Zhengquan, who is the Chairman of such committee, and Pei Gang. As Pei Gang resigned on 13 March 2003, another independent non-executive Director, Cheng Lin, has resumed his position as a member of the audit committee.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the first quarterly report for the three months ended 31 March 2003, with the Directors.

CONSOLIDATED RESULTS

		Unaudited Three months ended 31 March	
		2003	2002
	<i>Note</i>	RMB'000	RMB'000
Revenues			
Turnover		1,352	3,831
Other revenues		710	21
		<hr/>	<hr/>
Total revenues		2,062	3,852
		<hr/>	<hr/>
Costs and expenses			
Cost of sales		(981)	(2,035)
Research and development		(1,495)	(2,085)
Distribution costs		(477)	(464)
Administrative expenses		(1,787)	(1,263)
Other operating expenses		(35)	(3)
		<hr/>	<hr/>
Total expenses		(4,774)	(5,850)
		<hr/>	<hr/>
Other income		910	1,555
		<hr/>	<hr/>
Loss/(profit) before taxation		(1,802)	443
Taxation charge	2	(74)	(106)
		<hr/>	<hr/>
Loss/(profit) after taxation		(1,876)	337
Minority interests		70	(9)
		<hr/>	<hr/>
Loss/(profit) attributable to shareholders		(1,806)	328
		<hr/>	<hr/>
Loss/(earnings) per share (RMB)	3	(0.0025)	0.0006
		<hr/>	<hr/>

NOTES:

1. **Accounting policies and basis of preparation**

The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the preparation of the Company's financial information included in the accountants' report as set out in the prospectus issued on 31 July 2002 in connection with the placing of shares of the Company on the GEM. The unaudited consolidated results are prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations issued by the International Accounting Standards Board. They have been prepared under the historical cost convention except that, the available-for-sale investments are adjusted to fair value.

The unaudited results have been prepared on a consolidated basis which include the financial statements of the Company and its subsidiary. A subsidiary is an entity in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. 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 unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2. **Taxation**

	Unaudited Three months ended 31 March	
	2003	2002
	RMB'000	RMB'000
Current tax	—	(40)
Deferred tax charge	(70)	(66)
	<u>(70)</u>	<u>(106)</u>

The Company is subject to the Income Tax of the PRC and the normal income tax rate applicable is 33%. As the Company is recognised as a New and High Technology Enterprise, it is entitled to a reduced Income Tax rate up to 15%. Accordingly, tax provision is made at 15% of the taxable income of the Company.

The subsidiary is subject to the Income Tax Law of the PRC and the income tax rate applicable is 33%. No provision for income tax has been made for the subsidiary for the three months ended 31 March 2003 (2002: Nil) as it has no taxable income during the period.

3. Loss/(earnings) per share

The calculation of the loss/(earnings) per share for the three months ended 31 March 2003 and 31 March 2002 were based on the unaudited loss of approximately RMB1.8 million (three months ended 31 March 2002: profit attributable to shareholders of approximately RMB0.33 million) and the weighted average of 710,000,000 shares (three months ended 31 March 2002: 530,000,000 shares) in issue during the three months ended 31 March 2003.

Diluted loss/(earnings) per share have not been calculated for the three months ended 31 March 2002 and 2003 respectively as there were no dilutive potential ordinary shares during those periods.

4. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2003 (2002: Nil).

5. Shareholders' fund

	Unaudited					
	Share capital	Capital accumulation reserve	Statutory common reserve fund	Statutory common welfare fund	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at						
1 January 2002	53,000	5	1,675	1,103	11,248	67,031
Profit for the period	—	—	—	—	328	328
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at						
31 March 2002	<u>53,000</u>	<u>5</u>	<u>1,675</u>	<u>1,103</u>	<u>11,576</u>	<u>67,359</u>
Balance at						
1 January 2003	71,000	115,014	1,709	1,120	4,054	192,897
Loss for the period	—	—	—	—	(1,806)	(1,806)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at						
31 March 2003	<u>71,000</u>	<u>115,014</u>	<u>1,709</u>	<u>1,120</u>	<u>2,248</u>	<u>191,091</u>

By Order of the Board
Wang Hai Bao
Chairman

Hong Kong, 9 May 2003