



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)

THIRD QUARTERLY RESULTS REPORT

For the nine months ended 30 September 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 unaudited consolidated third quarterly results of the Company together with its subsidiaries (collectively the "Group") for the nine months ended 30 September 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the nine months ended 30 September 2003

For the nine months ended 30 September 2003, turnover of the Group dropped to approximately RMB6,500,000, compared to RMB15,400,000 for the corresponding period in 2002.

The Group's turnover for the nine months ended 30 September 2003 was derived entirely from the sales of diagnostic reagent with no income from technology transfer. In contrast, during the corresponding period last year, approximately RMB10,000,000 (representing approximately 65% of total turnover) was derived from technology transfer and the rest of RMB5,400,000 (representing approximately 35% of total turnover) was derived from the sales of diagnostic reagents and the provision of relevant services.

The sales of diagnostic reagents increased by 20% compared with the corresponding period in 2002, due to the enhanced marketing efforts of the Group's sales agents.

The total costs and expenses of the Group for the nine months ended 30 September 2003 were approximately RMB24,800,000, compared with RMB19,800,000 for the corresponding period in 2002. The increase was mainly attributed to the allocation of more resources to research and development activities than the previous corresponding period.

The Group recorded a loss attributable to shareholders of approximately RMB14,100,000 for the nine months ended 30 September 2003, compared with a profit attributable to shareholders of approximately RMB1,400,000 for the corresponding period in 2002.

Business review

The major R&D projects of the Group proceeded proactively as scheduled. In the first half year, apart from the successful completion of pre-clinical research for the recombinant human interleukin-1 receptor antagonist (重組人白細胞介素1受體拮抗劑) (rhIL-1Ra) project, and application for the clinical testing of 5-(氨基酮戊酸鹽) (ALA), a new photodynamic therapy drug project (application has been made in the forms of drug base and preparations respectively), the recombinant human parathyroid hormone derivatives (rhPTH) project for the treatment of osteoporosis has also been completed during the period under review. It is expected that application for clinical testing of the recombinant human soluble TNFR75 fusion protein for the treatment of arthritis (Etanercept) project, the Chinese medicine light sugar project, the photodynamic therapy drug Hemporfin will also be ready within this year. This is largely attributable to the efforts made by the management and the staff which have helped to expedite the pace of business development of the Group.

Various R&D projects of the Group have obtained grants from the government. Apart from the rhIL-1Ra project, which successfully obtained a RMB500,000 grant from the Shanghai Science and Technology Committee in the first half of this year, several other technologies of the Group have received approval for a total grant of RMB2,900,000 from the Shanghai Science and Technology Committee and the Pudong Science and Technology Bureau during the third quarter. These include approval for a RMB1,100,000 grant from the Shanghai Science and Technology Committee and the Pudong Science and Technology Bureau in respect of two research projects of Lead Discovery Limited Company (上海先導藥業有限公司), an associated company of the Company. These also include approval for a RMB1,000,000 grant as a Major Technological Topic by the Shanghai Science and Technology Committee to Shanghai Ba Dian Medicine Co., Ltd. (上海靶點藥物有限公司), a company in which the Group has a controlling interest. With the full support of the Municipal Government, the grants will bring in more funds, which will strengthen the Group's research and development capability and provide a more stable development for the Group's business.

In September this year, Shanghai Morgan-Tan International Center for Life Sciences Co., Ltd. (上海摩根談國際生命科學中心有限公司), a subsidiary of the Company, formally entered into an agreement to transfer the technology of (黴酚酸酯) (Mycophenolate Mofetil) to Lin Yi Xin Shi Dai Pharmaceutical Company Limited (臨沂新時代藥業有限公司) for a consideration of RMB5,000,000. Although the Group's current strategy is to devote efforts in long term R&D, the Group may transfer research projects which are not suitable for the Group's long-term development, in order to obtain short-term revenue and to maintain sufficient cashflow to support the Group's future development.

To protect the products developed, the Group has always placed great importance on the protection of intellectual property rights. In addition to obtaining 47 patents on external appearance and 4 invention patent in the first half year, applications have been made to register 6 invention patents during the period under review. Among these, Lead Discovery Limited Company, an associated company of the Group, has applied for 4 invention patents before September this year. Shanghai Ba Dian Medicine Co., Ltd. in which the Group has a controlling interest therein has also made 1 invention patent application.

During the period under review, the Group's Down's Syndrome antenatal screening system project has smoothly obtained a "Pharmaceutical Manufacturing Permit". However, the approval by the State Food and Drug Administration on the product is still pending. It is anticipated that production of this product will commence in the coming year, which will speed up the effective commercialization of the Group's research projects. The wholesale right of the product has been granted to Jiangsu Xiansheng Pharmaceutical Company Limited (江蘇先聲藥業有限公司) on 30 May this year.

In October 2003, the Company purchased the entire equity interest held by Mr. Tan Jia Zhen (談家楨先生) in Shanghai Morgan-Tan International Center for Life Sciences, Co., Ltd. The interest held by the Company in Shanghai Morgan-Tan International Center for Life Sciences, Co., Ltd. increased from 62.5% to 68.75%.

Prospects

The Group's R&D projects such as the recombinant human soluble TNFR75 fusion protein (Etanercept) project for the treatment of arthritis, the Chinese medicine light sugar project, the photodynamic therapy drug Hemporfin will be ready to apply for clinical testing during the year. It is expected that the various projects will obtain approval to enter into clinical researches successively next year, which will be further evidence of the Group's R&D strength.

In addition, it is expected that when the Down's Syndrome antenatal screening system is formally put into production, it will bring more stable income to the Group, and will lay a solid foundation for the two-prong development in research and commercialization of the Group in future.

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 30 September 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 30 September 2003.

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

As at 30 September 2003, the interests (including interests in shares and 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"); or (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as required pursuant to Rules 5.40 to 5.58 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 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 2003, the persons other than a director, chief executive or supervisor of the Company who have interests or short positions in the share or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the SFO are listed as follows (the interests in shares and short positions disclosed herein are in addition to those disclosed in respect of the Directors, the Chief Executive and the Supervisors):

Name of substantial shareholder	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 Pharmaceutical (Group) Corporation	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26%	19.66%
Shanghai Pharmaceutical Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	27.26%	19.66%
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	30,636,288 (L)	Beneficial Owner	Corporate	5.98%	4.31%

Name of substantial shareholder	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.	H Shares	70,564,000 (L)	Interest of controlled corporation	Corporate	35.64%	9.94%
S.I. Pharmaceutical Holdings Ltd.	H Shares	65,856,000 (L)	Beneficial Owner	Corporate	33.26%	9.28%
SIIC Medical Science and Technology (Group) Limited	H Shares	4,708,000 (L)	Beneficial Owner	Corporate	2.38%	0.66%
HSBC International Trustee Limited	H Shares	12,600,000 (L)	Trustee (other than a bare trustee)	Corporate	6.36%	1.78%

DETAILS OF OPTIONS GRANTED BY THE COMPANY

On 23 June 2002, the Company 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 30 September 2003, a 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. (上海通用葯業股份有限公司)	Drug manufacturing	40%
Jiangxi Nanhua Pharmaceutical Co., Ltd. (江西南華醫葯有限公司)	Drug retailing	50%
Shanghai Pharmaceutical (Sudan) Co., Ltd. (上海制葯(蘇丹)有限公司)	Drug manufacturing	55%
Shanghai Hefeng Pharmaceutical Co., Ltd. (上海禾豐制葯有限公司)	Drug manufacturing	50%
Shanghai No. 9 Pharmaceutical (上海第九制葯廠)	Drug manufacturing	100%
Shanghai Changzheng Jinshan Pharmaceutical Co., Ltd. (上海長征富民金山制葯有限公司)	Drug manufacturing	65%
Shanghai Fuda Pharmaceutical Co., Ltd. (上海福建達制葯有限公司)	Drug manufacturing	70%
Anhui Huashi Pharmaceutical Co., Ltd. (安徽華氏醫葯有限公司)	Drug manufacturing	67%
Shanghai Huashi Pharmaceutical Co., Ltd. (上海華氏制葯有限公司) <i>(Note 1)</i>	Drug manufacturing	100%
Shanghai Huashi Pharmaceutical Hi-Tech Industrial Development Co., Ltd. (上海華氏醫葯高科技實業發展有限公司)	Drug introduction and R&D of chemical and initiative drugs	100%
Maanshan City Huashi Pharmaceutical Co., Ltd. (馬鞍山市華氏醫葯有限公司)	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) (Note 3)	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.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Pan Fei, who is the chairman, Mr. Weng Dezhong and Mr. Cheng Lin.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the third quarterly report for the three months and nine months ended 30 September 2003, with the Directors.

CONSOLIDATED RESULTS

	Note	Unaudited three months ended 30 September		Unaudited nine months ended 30 September	
		2003	2002	2003	2002
		RMB'000	RMB'000	RMB'000	RMB'000
Revenues					
Turnover		1,568	4,133	6,546	15,423
Other revenues		879	55	2,335	200
Total revenues		2,447	4,188	8,881	15,623
Costs and expenses					
Cost of sales		(856)	(1,799)	(4,954)	(7,570)
Research and development		(5,922)	(2,367)	(11,168)	(7,159)
Distribution costs		(615)	(332)	(1,678)	(1,211)
Administrative expenses		(2,166)	(1,423)	(6,711)	(3,846)
Other operating expenses		(248)	(51)	(327)	(56)
Total costs and expenses		(9,807)	(5,972)	(24,838)	(19,842)
Other income		889	2,044	2,510	5,547
Operating (loss)/profit		(6,471)	260	(13,447)	1,328
Finance costs		—	—	—	—
Share of loss of associate before taxation		(724)	—	(956)	—
(Loss)/profit before taxation		(7,195)	260	(14,403)	1,328
Taxation	2	(373)	(68)	(301)	(252)
(Loss)/profit after taxation		(7,568)	192	(14,704)	1,076
Minority interests		264	152	569	350
(Loss)/profit attributable to shareholders		(7,304)	344	(14,135)	1,426
(Loss)/earnings per share (RMB)	3	(0.0103)	0.0005	(0.0199)	0.0025

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 Group's financial statements for the year ended 31 December 2002. 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 subsidiaries. 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 30 September, 2003		Unaudited nine months ended 30 September, 2003	
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax	—	(8)	—	(31)
Deferred tax charge	(373)	(60)	(301)	(221)
	<u>(373)</u>	<u>(68)</u>	<u>(301)</u>	<u>(252)</u>

The Company is subject to the Income Tax Law 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 of 15%. Accordingly, tax provision is made at 15% of the taxable income of the Company.

The subsidiaries are 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 subsidiaries for the three months and nine months ended 30 September 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 and nine months ended 30 September 2003 and 30 September 2002 were based on the unaudited loss of approximately RMB7,304,000 and RMB14,135,000 (three months and nine months ended 30 September 2002: profit attributable to shareholders of approximately RMB344,000 and RMB1,426,000) and the weighted average of 710,000,000 shares and 710,000,000 shares (2002: 625,869,565 shares and 562,307,692 shares) in issue during the three months and nine months ended 30 September 2003.

Diluted (loss)/earnings per share have not been calculated for the three months and nine months ended 30 September 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 and nine months ended 30 September 2003 (2002: Nil).

5. Shareholders' fund

	Unaudited					
	Share capital	Capital accumulation reserve	Statutory Common reserve fund	Statutory Common welfare fund	Retained earnings/ (accumulated losses)	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
Dividend relating to 2001	—	—	—	—	(7,950)	(7,950)
Issue of shares	18,000	115,009	—	—	—	133,009
Profit for the period	—	—	—	—	1,426	1,426
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at						
30 September 2002	<u>71,000</u>	<u>115,014</u>	<u>1,675</u>	<u>1,103</u>	<u>4,724</u>	<u>193,516</u>
Balance at						
1 January 2003	71,000	115,014	1,709	1,120	4,054	192,897
Loss for the period	—	—	—	—	(14,135)	(14,135)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at						
30 September 2003	<u>71,000</u>	<u>115,014</u>	<u>1,709</u>	<u>1,120</u>	<u>(10,081)</u>	<u>178,762</u>

By Order of the Board
Wang Hai Bo
Chairman

Hong Kong, 12 November 2003