



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 REPORT

For the three months ended 31 March 2004

** 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 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 Directors are pleased to present the unaudited consolidated first quarterly results of the Company together with its subsidiaries (collectively the “Group”) for the three months ended 31 March 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the three months ended 31 March 2004

For the three months ended 31 March 2004, the Group realized a turnover of approximately RMB2,960,000, compared to RMB1,352,000 for the corresponding period in 2003.

Turnover of the Group for the first quarter of 2004 was derived from product sales and technology transfer, of which, RMB2,760,000 (or 93% of total turnover) came from the sales of medical diagnostic products, and RMB200,000 (or 7% of total turnover) from the income of technology transfer. Comparably, the total turnover of the corresponding period last year was derived entirely from the sales of diagnostic products and the provision of auxiliary services.

Total turnover of the Group and turnover generated from the sales of diagnostic products for the first quarter of 2004 increased by 128% and 112% respectively, compared with those of the corresponding period last year. This is because the Group has put more efforts and resources on marketing for the diagnostic products and strengthening the sales team.

Shanghai Ba Dian Medicine Co., Ltd. (上海靶點藥物有限公司) (“Ba Dian”), a subsidiary of the Group, signed a technology transfer contract with a Singaporean pharmaceutical company to provide technology development and services for two of the pharmaceutical projects of that company for a total consideration of RMB4,500,000. Technology transfer income of RMB200,000 was received in February 2004.

For the three months ended 31 March 2004, total costs and expenses of the Group amounted to approximately RMB8,987,000, compared with RMB4,774,000 for the same period in 2003. The increase of the costs and expenses was mainly due to the Group’s increased investment in capital and resources in R&D and commercialization.

For the three months ended 31 March 2004, the Group recorded a loss attributable to shareholders of approximately RMB4,098,000, compared with a loss of approximately RMB1,806,000 for the same period in 2003.

Business Review

Within the period under review, the Group obtained the drug approval document from the State Food and Drug Administration of the PRC (“SFDA”) for its antenatal screening system for Down’s Syndrome. This diagnostic product is the first product being approved for production by the SFDA since the commencement of the “Birth defects interference engineering” project in China, and therefore, has a huge market potential. The Group plans to establish a close cooperation with the relevant government entities such as the Scientific Research Institute of the State Birth Planning Committee, and to actively participate in promoting the “Birth defects interference engineering” project. It is anticipated that the project will bring a stable profit to the Group upon its production and sales.

In addition, the Group signed an agreement to transfer the overseas copyright of one of its self-developed technologies to a Taiwanese pharmaceutical company for a consideration of RMB7,500,000. Besides, Ba Dian also signed a technology transfer contract with a Singaporean pharmaceutical company for technology and service provision on two medical projects of that company for a total consideration of RMB4,500,000. Part of the technology transfer income has been recognized.

Other R&D projects such as the recombinant human lymphotoxin- α derivatives (rhLT)(人體淋巴毒素- α 衍生物重組體) for the treatment of lung cancer, the recombinant human parathyroid hormone derivatives (rhPTH)(人體甲狀旁腺激素衍生物重組體) for the treatment of osteoporosis, and the photodynamic therapy drug Hemporfin(光動力治療藥物的海姆泊芬) are all making positive progress as initially planned.

Future prospects

The Group has submitted a number of applications for clinical tests to the SFDA. It is expected that a number of them will be admitted to enter into the clinical testing stage this year, which is a proof of the strong research and development capability of the Group. The management believes that these projects will create a broad space for future expansion of the Group.

It is also anticipated that upon the commencement of formal production of the Down’s Syndrome antenatal screening system, it will contribute a stable income source to the Group. Moreover, the Group will continue to advance towards the directions of R&D and commercialization of R&D projects to build up a solid basis for the Group’s future development.

PURCHASE, SALE OR REDEMPTION OF SHARES

Apart from the placing of H Shares of the Company on the GEM, neither the Company nor its subsidiaries 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 H shares on the GEM) to 31 March 2004.

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 spouses or children under the age of 18 was granted by the Company or its subsidiaries 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 2004.

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

As at 31 March 2004, 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 5.46 to 5.60 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 31 March 2004, the persons other than a director, chief executive or supervisor of the Company who have interests or long 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 long positions 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 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%
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 31 March 2004, 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, as at 31 March 2004, 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	51%
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 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%
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. (雲南通用善美制藥有限公司)	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%

Notes:

1. Yu Qing Hua, a non-executive Director and a 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 Jing, 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 of the audit committee, Mr. Weng De Zhang and Mr. Cheng Lin.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed internal control and financial reporting issues with the management of the Company, including a review of the first quarterly report for the three months ended 31 March 2004.

CONSOLIDATED RESULTS

		Unaudited Three months ended 31 March	
	Note	2004 RMB'000	2003 RMB'000
Revenues			
Turnover		2,960	1,352
Other revenues		239	710
Total revenues		<u>3,199</u>	<u>2,062</u>
Costs and expenses			
Cost of sales		(2,072)	(981)
Research and development		(4,035)	(1,495)
Distribution costs		(509)	(477)
Administrative expenses		(2,218)	(1,786)
Other operating expenses		(153)	(35)
Total costs and expenses		<u>(8,987)</u>	<u>(4,774)</u>
Other income		1,526	1,007
Operating loss		<u>(4,262)</u>	<u>(1,705)</u>
Finance costs		—	—
Share of loss of associate before taxation		<u>(595)</u>	<u>(97)</u>
Loss before taxation		<u>(4,857)</u>	<u>(1,802)</u>
Taxation	2	469	(74)
Loss after taxation		<u>(4,388)</u>	<u>(1,876)</u>
Minority interests		290	70
Loss attributable to shareholders		<u>(4,098)</u>	<u>(1,806)</u>
Loss per share (RMB)	3	<u>(0.0058)</u>	<u>(0.0025)</u>

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 information included in the accountants' report as set out in the prospectus used on 31 July 2002 in connection with the placing of H 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 includes 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 31 March	
	2004 RMB'000	2003 RMB'000
Current tax	—	—
Deferred tax credit/(charge)	469	(70)
	<u>469</u>	<u>(70)</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 ended 31 March 2004 as it has no taxable income during the period.

3. Loss per share

The calculation of the loss per share for the three months ended 31 March 2004 and 31 March 2003 was based on the unaudited loss of approximately RMB4,098,000 (three months ended 31 March 2003: unaudited loss attributable to shareholders of approximately RMB1,806,000) and total shares issued of 710,000,000 shares as at 31 March 2004 (2003: 710,000,000 shares).

Diluted loss per share has not been calculated for the three months ended 31 March 2004 and 31 March 2003 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 2004 (2003: 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 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>
Balance at						
1 January 2004	71,000	115,014	1,709	1,120	(14,293)	174,550
Loss for the period	—	—	—	—	(4,098)	(4,098)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at						
31 March 2004	<u>71,000</u>	<u>115,014</u>	<u>1,709</u>	<u>1,120</u>	<u>(18,391)</u>	<u>170,452</u>

By Order of the Board
Wang Hai Bo
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*)

Mr. Yu Qing Hua (*Non-executive Director*)

Mr. Zhang Li Qiang (*Non-executive Director*)

Ms. Fang Jing (*Non-executive Director*)

Mr. Jiang Guo Xing (*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, 11 May 2004