



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 2006

* *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 hereto present the unaudited consolidated first quarterly results of the Company together with its subsidiaries (collectively the "Group") for the three months ended 31 March 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the three months ended 31 March 2006

For the three months ended 31 March 2006, the Group recorded a turnover of approximately RMB3,102,000, whereas the figure for the same period in 2005 was RMB4,419,000.

Of the total turnover of the Group for the first quarter of 2006, approximately RMB2,852,000 (or 92% of total turnover) was derived from the sale of medical diagnostic products and the provision of related ancillary services, and RMB250,000 (or 8% of total turnover) represented the income of technology transfer. In contrast, out of the total turnover for the same period last year, RMB3,219,000 (or 73% of total turnover) came from the sales of medical diagnostic products, and RMB1,200,000 (or 27% of total turnover) from the income of technology transfer.

Turnover of the Group for the first quarter 2006 reduced by 30% from the level of the same period last year, of which, the sale of medical diagnostic products decreased by 11% and the income of technology transfer decreased by 79% respectively comparing with the same period last year.

Cost of sales of the Group for the three months ended 31 March 2006 amounted to approximately RMB2,915,000, compared to RMB3,858,000 for the same period in 2005.

Operating loss of the Group within the period under review was approximately RMB7,266,000, whereas the figure for the corresponding period last year was RMB5,540,000. The reasons for the increased loss include the dropping turnover and the increase of the various expenses. The Group has several R&D projects entering into the clinical research period lately, which makes the R&D expenses increased significantly than that of the same period last year.

For the three months ended 31 March 2006, the Group recorded a loss attributable to shareholders of the Company of approximately RMB7,474,000, compared to a loss of approximately RMB4,950,000 for the same period in 2005.

BUSINESS REVIEW

Within the period under review, the Group has made ideal progress in the areas of R&D, technology transfer, and commercialization.

Applications have been made to the State Food and Drugs Administration of the PRC (“SFDA”) for the approval of clinical study of Vincristine liposome (長春新鹼脂質體), which is a new drug for the treatment of Tumors. Clinical study of Aminolevulinic Acid Hydrochloride (ALA) (鹽酸氨酮戊酸) for the treatment of condyloma acuminata (尖銳濕疣) has been completed, and application has been made to the SFDA for New Drug Certificate. Clinical study on Duxorubicon liposome (鹽酸多柔比星脂質體) for the treatment of tumors has been commenced, and the clinical study and application for Production Permit are expected to be completed during the year.

In respect of technology transfer, the Group is actively exploring the overseas market. The Group has strategically transferred the mainland and overseas rights of the R&D projects which are not listed in the self-commercialization plan to different companies, so that it could obtain the maximum benefits from those projects.

With regard to patents, the Group has always endeavored in protecting the intellectual property rights of its innovative drugs and other R&D achievements. Within this reviewing period, the Group has applied for 1 new invention patent, and has been granted 1 invention patent.

In order to be in line with the production of Aminolevulinic Acid Hydrochloride (ALA) (鹽酸氨酮戊酸) and Duxorubicon liposome (鹽酸多柔比星脂質體) in the next year, the Group’s reforms to the production sites for these two products have been basically completed.

FUTURE PROSPECTS

Over the past years, the Group has accumulated extensive experience in R&D, and has taken a leading position in the pharmaceutical industry in the PRC. In the future, the Group will devote efforts to in R&D of projects with proprietary intellectual property rights. In particular, drugs for the treatment of dermal diseases and tumors will be of the most importance.

In respect of commercialization, the Group has the production and sales of diagnostic reagents and Down's Syndrome antenatal screening system, in addition to dermal disease drugs and tumor treatment drugs which will be approved for production in the next year, the Group will soon expedite to complete the conversion from purely R&D to both R&D and commercialization. The Group has now started to establish its marketing system, so as to finalize the Group's complete function in the organic combination from R&D, product manufacture to marketing, enabling the Company to progress to a better development stage.

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 2006.

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

As at 31 March 2006, 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 31 March 2006, 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 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%
SIIIC Medical Science and Technology (Group) Limited	H Shares	4,708,000 (L)	Beneficial Owner	Corporate	2.38%	0.66%

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%
Ningbo Yatai Bio-technology Co., Ltd. (寧波亞太生物技術有限公司)	Drug manufacturing	89%
Shanghai Qingping Pharmaceutical Co., Ltd. (上海青平藥業有限公司)	Drug manufacturing	39%
Shanghai Hefeng Pharmaceutical Co., Ltd. (上海禾豐製藥有限公司)	Drug manufacturing	50%
Shanghai Fuda Pharmaceutical Co., Ltd. (上海福達製藥有限公司)	Drug manufacturing	70%
Shanghai Huashi Pharmaceutical Co., Ltd. (上海華氏製藥有限公司)	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)	R&D of Drugs	100%

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)	Drug manufacturing	80.55%

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%

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.

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 shares on the GEM) to 31 March 2006.

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. The audit committee made discussions on the first quarterly results report for the three months ended 31 March 2006 before proposing to the Board for approval.

CONSOLIDATED RESULTS

		Unaudited	
		Three months	
		ended 31 March	
		2006	2005
	<i>Note</i>	RMB'000	RMB'000
Turnover	2	3,102	4,419
Cost of sales		(2,915)	(3,858)
Gross profit		187	561
Other income		660	1,147
Research and development costs		(5,181)	(4,566)
Distribution costs		(1,205)	(1,082)
Administrative expenses		(1,466)	(1,569)
Other operating expenses		(261)	(31)
Operating loss		(7,266)	(5,540)
Share of results of an associate		(421)	(229)
Loss before income tax		(7,687)	(5,769)
Income tax credit	3	—	579
Loss for the period		(7,687)	(5,190)
Attributable to:			
Shareholders of the Company		(7,474)	(4,950)
Minority interests		(213)	(240)
		(7,687)	(5,190)
Basic loss per share for loss			
attributable to the shareholders			
of the Company (RMB)	4	(0.0105)	(0.0070)

Notes:

1. Accounting policies and basis of preparation

The unaudited consolidated results have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements are prepared under the historical cost convention, except that the available-for-sale investments are shown at fair value.

The unaudited results include the results of the Company and its subsidiaries. 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 transfer of biopharmaceutical technologies with own property rights, undertaking contracted research for clients, and production and sales of medical diagnostic products and provision of related ancillary services. Turnover recognized for the period under review are as follows:

	Unaudited Three months ended 31 March	
	2006	2005
	RMB'000	RMB'000
Sales of diagnostic products and the provision of related ancillary services	2,852	3,219
Technology transfer revenue	250	1,200
	3,102	4,419

3. Income tax credit

	Unaudited three months ended 31 March	
	2006	2005
	RMB'000	RMB'000
Deferred tax credit	<u>—</u>	<u>(579)</u>

The Company and its subsidiaries are subject to the Income Tax Law of the PRC and the normal income tax rate applicable is 33%. As the Company is recognized as a New and High Technology Enterprise, and is operating and registered in the State Level New and High Technology Development Zone, it is entitled to a reduced Income Tax rate of 15%. As the subsidiaries are recognized as domestic companies registered in Shanghai Pudong New Area, they are also entitled to the reduced Income Tax rate of 15%. Accordingly, the Company and its subsidiaries are subject to Income Tax at a rate of 15%.

4. Loss per share

The calculation of the loss per share for the three months ended 31 March 2006 was based on the unaudited loss attributable to shareholders of the Company of approximately RMB7,474,000 (unaudited loss attributable to shareholders of the Company for the three months ended 31 March 2005 of approximately RMB4,950,000) and total shares issued of 710,000,000 shares as at 31 March 2006 (as at 31 March 2005: 710,000,000 shares).

Diluted loss per share has not been calculated for the three months ended 31 March 2006 and 31 March 2005 as there were no dilutive potential ordinary shares during those periods.

5. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2006 (2005: Nil).

6. Shareholders' fund

	Share capital	Capital accumul ation reserve	Statutory common reserve fund	Unaudited Statutory common welfare fund	Accumul ated losses	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2005	71,000	115,014	1,709	1,120	(39,194)	4,434	154,083
Loss for the period	—	—	—	—	(4,950)	(240)	(5,190)
Balance at 31 March 2005	<u>71,000</u>	<u>115,014</u>	<u>1,709</u>	<u>1,120</u>	<u>(44,144)</u>	<u>4,194</u>	<u>148,893</u>
Balance at 1 January 2006	71,000	115,014	1,709	1,120	(68,279)	3,163	123,727
Loss for the period	—	—	—	—	(7,474)	(213)	(7,687)
Balance at 31 March 2006	<u>71,000</u>	<u>115,014</u>	<u>1,709</u>	<u>1,120</u>	<u>(75,753)</u>	<u>2,950</u>	<u>116,040</u>

By Order of the Board
Wang Hai Bo
Chairman

As at the date on 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*)
 Mr. Lou Yi (*Non-executive Director*)
 Ms. Fang Jing (*Non-executive Director*)
 Mr. Jiang Guo Xing (*Non-executive Director*)
 Mr. Zhou Jie (*Non-executive Director*)
 Mr. Guo Jun Yu (*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 2006