



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)

## **FIRST QUARTERLY RESULTS REPORT**

**For the three months ended 31 March 2008**

\* *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.*

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review for the three months ended 31 March 2008**

For the three months ended 31 March 2008, the Group recognized a turnover of approximately RMB6,542,000, comparing to a turnover of RMB3,515,000 for the same period in 2007. This shows an increase of 86%.

For the three months ended 31 March 2008, the total turnover of the Group was derived from the sales of medical products and the provision of related ancillary services. The total turnover for the same period last year also came from the sales of medical products and the provision of related ancillary services.

For the three months ended 31 March 2008, the Group incurred the cost of sales of approximately RMB2,172,000, representing a decrease of 7% from RMB2,341,000 for the same period in 2007.

For the three months ended 31 March 2008, operating loss of the Group was approximately RMB6,242,000, comparing to RMB6,250,000 for the same period last year. Operating loss has maintained the same level as the corresponding period last year. Of the various costs and expenses presented before operating loss, research and development costs have increased by 16%, distribution and marketing costs have increased by 66%, and administrative expenses have increased by 24%, respectively, comparing with those of the same period last year.

A loss attributable to the shareholders of the Company of approximately RMB6,513,000 was recorded in the unaudited consolidated income statement for the three months ended 31 March 2008, compared with RMB6,792,000 for the same period last year.

### **Business Review**

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, the Group has proceeded with the clinical studies of several projects that have been approved to enter clinical research.

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 applied for 1 invention patent, and has been granted 3 design patents.

In respect of commercialization, since ALA (鹽酸氨酮戊酸), which is used for the treatment of dermal HPV infectious disease and proliferative disease as represented by Condyloma acuminata, has been launched for sale, it has attracted high level of attention from dermatologists all over the country. The Company has selected 20 economically more developed provinces, such as Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu and Shandong, as the first Stage market developing area. 200 large-scale comprehensive hospitals and large-scale specialist dermal hospitals have been aimed as the target clients. Market exploitation of 120 target clients has been completed. Sales revenue of the product has been increasing steadily.

Reconstruction of the production sites for Duxorubicon liposome (鹽酸多柔比星脂質體) has been completed. Approval to the drug by SFDA is being expected. Market exploitation for the product has been carried out.

## 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 respect of commercialization, the Group has realized production and sales on diagnostic reagents, Down's Syndrome antenatal screening system, and ALA, which is used for the treatment of dermal diseases. The Group has successfully accomplished the transformation from pure R&D to a combination of R&D and commercialization, which combines the various parts of the Group containing R&D, production, selling and marketing into an integrated system. 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 31 March 2008, 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 2008, 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 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	30,636,286 (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.*

<b>Investee company</b>	<b>Nature of business</b>	<b>Shareholding interests</b>
Shanghai Malu Pharmaceutical Co., Ltd. (上海馬陸製藥有限公司)	Drug manufacturing	87%
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.*

<b>Investee company</b>	<b>Nature of business</b>	<b>Shareholding interests</b>
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.*

<b>Investee company</b>	<b>Nature of business</b>	<b>Shareholding interests</b>
Meilian Biotechnology Company (美聯生物技術公司)	R&D of genetic pattern	49.47%

## **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 three months ended 31 March 2008.

## **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, including a review of the first quarterly report for the three months ended 31 March 2008 before proposing to the Board for approval.

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 2008.



## UNAUDITED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Three months</b>	
		<b>ended 31 March</b>	
		<b>2008</b>	2007
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
Turnover	2	<b>6,542</b>	3,515
Cost of sales		<b>(2,172)</b>	(2,341)
<b>Gross profit</b>		<b>4,370</b>	1,174
Other income		<b>838</b>	1,156
Research and development costs		<b>(3,974)</b>	(3,433)
Distribution and marketing costs		<b>(4,396)</b>	(2,654)
Administrative expenses		<b>(3,031)</b>	(2,439)
Other operating expenses		<b>(49)</b>	(54)
<b>Operating loss</b>		<b>(6,242)</b>	(6,250)
Finance costs		<b>(341)</b>	(356)
Share of results of an associate		—	(496)
<b>Loss before income tax</b>		<b>(6,583)</b>	(7,102)
Income tax	3	—	—
<b>Loss for the period</b>		<b>(6,583)</b>	(7,102)
<b>Attributable to:</b>			
Shareholders of the Company		<b>(6,513)</b>	(6,792)
Minority interests		<b>(70)</b>	(310)
		<b>(6,583)</b>	(7,102)
<b>Basic and diluted loss per share</b>			
<b>for loss attributable to the</b>			
<b>shareholders of the Company (RMB)</b>	4	<b>(0.0092)</b>	(0.0096)

NOTES:

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

The unaudited first 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 three months ended 31 March 2008 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

The unaudited consolidated financial information includes the financial information of the Company and its subsidiaries made up to 31 March. 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 recognised during the reporting period are as follows:

	<b>Unaudited</b>	
	<b>Three months</b>	
	<b>ended 31 March</b>	
	<b>2008</b>	<b>2007</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Sales of medical products and the provision of related ancillary services	<b>6,542</b>	3,515
Technology transfer revenue	—	—
	<b>6,542</b>	3,515

### 3. Income tax

	<b>Unaudited</b>	
	<b>Three months</b>	
	<b>ended 31 March</b>	
	<b>2008</b>	<b>2007</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Income tax	—	—

Effective from 1 January 2008, the Company and the subsidiaries shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") as approved by the National People's Congress on 16 March 2007. Under the new CIT Law, the corporate income tax rate applicable to the Company will be gradually increased to 25% in a 5-year period from 2008 to 2012, however, the corporate income tax rate applicable to the subsidiaries will be changed to 25% with effect from 1 January 2008.

On 6 December 2007, the State Council approved the Detailed Implementation Regulations ("DIR") for the implementation of the new CIT Law. Additional circulars regarding further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, management will assess their impact to the Group, if any, and this will be accounted for prospectively as a change in accounting estimate.

### 4. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2008 was based on the unaudited loss attributable to shareholders of the Company of approximately RMB6,513,000 (2007: loss attributable to shareholders of the Company of approximately RMB6,792,000) and the weighted average number of 710,000,000 shares during the three months ended 31 March 2008 (2007: 710,000,000 shares).

Diluted loss per share has not been calculated for the three months ended 31 March 2008 and three months ended 31 March 2007 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 three months ended 31 March 2008 (2007: Nil).

## 6. Consolidated statement of changes in equity

	Unaudited					Total	
	Attributable to shareholders of the Company				Minority interests		RMB'000
	Share capital	Capital	Statutory	Accumulated losses			
		accumulation reserve	common reserve fund		RMB'000		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2007	71,000	115,014	2,829	(89,235)	2,089	101,697	
Loss for the period	—	—	—	(6,792)	(310)	(7,102)	
Balance at 31 March 2007	<u>71,000</u>	<u>115,014</u>	<u>2,829</u>	<u>(96,027)</u>	<u>1,779</u>	<u>94,595</u>	
Balance at 1 January 2008	71,000	115,014	2,829	(118,785)	983	71,041	
Capital contribution to a subsidiary by minority interests (a)	—	22,359	—	—	7,641	30,000	
Loss for the period	—	—	—	(6,513)	(70)	(6,583)	
Balance at 31 March 2008	<u>71,000</u>	<u>137,373</u>	<u>2,829</u>	<u>(125,298)</u>	<u>8,554</u>	<u>94,458</u>	

- (a) The Group applied a policy of treating transactions with minority interests as transactions with equity owners of the Group. For minority interests' capital contribution to a subsidiary which did not result in the change of control, the difference between the capital contributed and the relevant share of the carrying value of net assets of the subsidiary is recorded in capital accumulation reserve.

By Order of the Board  
**Wang Hai Bo**  
*Chairman*

As at the date of 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. Jiang Guo Xing (*Non-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. Pan Fei (*Independent Non-executive Director*)  
 Mr. Cheng Lin (*Independent Non-executive Director*)  
 Mr. Weng De Zhang (*Independent Non-executive Director*)

**Shanghai, the PRC**  
 7 May 2008