



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 2005

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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 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the three months ended 31 March 2005

For the three months ended 31 March 2005, the Group recorded a turnover of approximately RMB4,419,000, whereas the figure for the same period in 2004 was RMB2,960,000.

Of the total turnover of the Group for the first quarter of 2005, approximately RMB3,219,000 (or 73% of total turnover) was derived from the sale of medical diagnostic products and the provision of related ancillary services, and RMB1,200,000 (or 27% of total turnover) represented the income of technology transfer. In contrast, out of the total turnover for the same period last year, RMB2,760,000 (or 93% of total turnover) came from the sales of medical diagnostic products, and RMB200,000 (or 7% of total turnover) represented the income of technology transfer.

Comparing with the correspondent period last year, turnover of the Group for the first quarter 2005 enhanced by 49%, of which, sales of the diagnostic products raised by 17% over that of last year. This is because the new product, Down’s Syndrome antenatal screening system launched by the Group, has accomplished initial market entry wherein some sales revenues have been realized, and has been gradually stepping into its growth stage. Besides, pursuant to the contract entered into by Shanghai Morgan-Tan International Center for Life Sciences, Co., Ltd. (“Morgan-Tan”), a subsidiary of the Group, to transfer the technology Mycophenolate Mofetil to a pharmaceutical company based in Shandong, the economic benefits flowed into the Group as a result of the completion of certain stages of the contract amounted to RMB1,200,000 was also recognized within the period under review.

Cost of sales of the Group for the three months ended 31 March 2005 amounted to approximately RMB3,858,000, compared to RMB2,072,000 for the same period in 2004. The increase in cost of sales was mainly caused by the increased expenditure on product quality control, with an aim to safeguard company image, so as to obtain a bigger market share for the products in the future.

Operating loss of the Group within the period under review was approximately RMB5,540,000, whereas the figure for the corresponding period last year was 4,262,000. The reasons for the increased loss are, in addition to the above mentioned risen cost of sales, research and development (R&D) costs and distribution costs have also increased by 13% and 113 respectively over those of the same period of last year. The new aggressive marketing strategy calls for more resources to be devoted into market expansion and sales team sustaining, resulting in an increase of the distribution costs. On the other hand, efficient control has reduced the administrative expenses by 29% from that of the same period last year.

For the three months ended 31 March 2005, the Group recorded a loss attributable to shareholders of approximately RMB4,950,000, compared to a loss of approximately RMB4,098,000 for the same period in 2004.

Business Review

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

In respect of R&D, the project of Light Sugar tablets for the treatment of diabetes has been approved by the State Food and Drug Administration (“SFDA”) to enter into clinical research. The clinical trial of ALA (5-氨基酮戊酸鹽) for the treatment of pointed condyloma (尖銳濕疣) has been proceeded over half way through completion with very satisfactory results.

In respect of technology transfer, the Group is actively exploring the overseas market. Having successfully transferred the overseas rights of a technology to a company in Taiwan, the Group arranged the transfer of the domestic rights of this technology to a company in the Mainland for a consideration of RMB17,000,000 in February 2005, retaining a certain percentage of the sales revenue of the product at the same time. The Group has strategically transferred the Mainland and overseas rights of the R&D project to different companies, which helped the Group to get greatest benefit from the project.

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 period under review, the Group has applied for two new invention patents.

In the area of commercialization, the Group has committed to the market expansion for a series of medical diagnostic products, and has obtained the drug registration certificates for a further 21 medical diagnostic products.

Future prospects

Up to now, the Group has a number of medicines approved for clinical tests by the SFDA. Clinical research related work has become a focus. The Group will continue the wide-range recruitment of professionals and will undertake the clinical research progressively and efficiently.

At present, clinical trial on the new photodynamic drug of the Group, ALA (5-氨基酮戊酸鹽) has completed more than one-half of the total task, the new drug certificate of which is expected to be granted by the end of the year. Application for production of Doxorubicin Liposome (脂質體阿霉素) has been submitted. These two products will be put into production very soon. The Group is currently planning on the establishment of the manufacturing conditions for the two products to facilitate their GMP tests and market sales. It's anticipated that the production of the two products will bring considerable profits to the Group.

Since the Group has already had production and sales of diagnostic reagents and Down's Syndrome antenatal screening system, plus the new photodynamic drug ALA (5-氨基酮戊酸鹽) and Doxorubicin Liposome (脂質體阿霉素) are also expected to be approved for production, the Group will therefore successfully complete the transformation from a pure R&D mode towards a combined manner with dual emphasis upon both R&D and commercialization, which will lead the Group to a better development stage.

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 2005.

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 2005.

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

As at 31 March 2005, 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 2005, 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	30,636,288 (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%

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
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%
Princepts MB Asset Management Corp.	H Shares	18,900,000 (L)	Trustee (other than a bare trustee)	Corporate	9.54%	2.66%

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 subsidiaries 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 subsidiaries or any of their respective associates under the Share Option Scheme.

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%
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 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)	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%

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	65%

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%

Note: 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.

BOARD PRACTICES AND PROCEDURES

During the three months ended 31 March 2005, the Company has been complying with Rules 5.34 to 5.45 of the GEM Listing Rules relating to the board practices and procedures.

SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2005, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings stipulated in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Directors of the Company have been complying with the required standard of dealings and the code of conduct for directors' securities transactions during the three months ended 31 March 2005.

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 2005.

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 2005.

PRE-EMPTIVE RIGHTS

There is no regulation for the purchase of the pre-emptive rights as set out in the articles of association of the Company or by the laws of the People's Republic of China ("PRC", being the jurisdiction in which the Company was established), which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the regulations prescribed by the GEM Listing Rules, each of the independent non-executive directors of the Company has confirmed with the Company their independence. The Company has received such confirmation from the independent non-executive Directors and considers the independent non-executive Directors as independent.

COMPLIANCE WITH THE GEM LISTING RULES

The Company has complied with rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the H Shares on GEM on 13 August 2002.

CONSOLIDATED RESULTS

		Unaudited	
		Three months	
		ended 31 March	
		2005	2004
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	4,419	2,960
Cost of sales		<u>(3,858)</u>	<u>(2,072)</u>
Gross profit		561	888
Other income		1,147	1,765
Research and development costs		(4,566)	(4,035)
distribution costs		(1,082)	(509)
Administrative expenses		(1,569)	(2,218)
Other operating expenses		<u>(31)</u>	<u>(153)</u>
Operating loss		(5,540)	(4,262)
share of results of associate before taxation		<u>(229)</u>	<u>(595)</u>
Loss before taxation		(5,769)	(4,857)
Taxation credit	3	<u>579</u>	<u>469</u>
Loss after taxation		(5,190)	(4,388)
Minority interests		<u>240</u>	<u>290</u>
Loss attributable to shareholders		<u>(4,950)</u>	<u>(4,098)</u>
Dividends		<u>—</u>	<u>—</u>
Basic loss per share (RMB)	4	<u>(0.0070)</u>	<u>(0.0058)</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 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 unrealized gains on transactions between group companies are eliminated; unrealized 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. Turnover

The Group is principally engaged in research, development and transfer of bio-pharmaceutical 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 is as follows:

	Unaudited	
	Three months ended	
	31 March	
	2005	2004
	RMB'000	RMB'000
Sales of diagnostic products and the provision of related ancillary services	3,219	2,760
Technology transfer income	<u>1,200</u>	<u>200</u>
	<u>4,419</u>	<u>2,960</u>

3. Taxation

	Unaudited	
	Three months ended	
	31 March	
	2005	2004
	RMB'000	RMB'000
Current tax	—	—
Deferred tax charge	<u>579</u>	<u>469</u>
	<u>579</u>	<u>469</u>

The Company, its subsidiaries and associate 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 and associate 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, its subsidiaries and associate 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 2005 was based on the unaudited loss of approximately RMB4,950,000 (unaudited loss attributable to shareholders for the three months ended 31 March 2004 of approximately RMB4,098,000) and total shares issued of 710,000,000 shares as at 31 March 2005 (as at 31 March 2004: 710,000,000 shares).

Diluted loss per share has not been calculated for the three months ended 31 March 2005 and 31 March 2004 as there were no dilutive potential ordinary shares during those periods.

5. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2005 (2004: Nil).

6. Shareholders' fund

	Share capital <i>RMB'000</i>	Capital accumulation reserve <i>RMB'000</i>	Unaudited Statutory common reserve fund <i>RMB'000</i>	Statutory common welfare fund <i>RMB'000</i>	Retained earnings/ (Accumulated loss <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at						
1 January 2004	71,000	115,014	1,709	1,120	(14,293)	174,550
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,098)</u>	<u>(4,098)</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>
Balance at						
1 January 2005	71,000	115,014	1,709	1,120	(39,194)	149,649
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,950)</u>	<u>(4,950)</u>
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>144,699</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. Yu Qing Hua (Non-executive Director)
Mr. Lou Yi (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 2005

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* For identification purpose only